

State of Colorado



Bill Owens

Governor

Jeffrey M. Wells

Executive Director

Paul Farley

Deputy Executive Director

Richard Pennington

Division Director

Leslie M. Shenefelt

State Controller

DPA

& Administration

Division of Finance and Procurement State Controller's Office

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September 20, 2004

The Honorable Bill Owens Governor 136 State Capitol Building Denver, Colorado 80203

Dear Governor Owens:

The attached Basic Financial Statements for the State of Colorado are submitted to you to comply with 24-30-204 CRS. The financial statements are prepared in accordance with generally accepted accounting principles except for the budgetary statements, which report certain payroll and Medicaid expenditures on a cash basis. The financial statements are unaudited. An auditor's opinion is anticipated by late November 2004 and will be included in the Comprehensive Annual Financial Report that our office expects to issue in December 2004.

If you have questions please contact me.

Jula M. Shenefelt

Sincerely,

Leslie M. Shenefelt State Controller

Attachment

cc: Senator John Andrews, President of the Senate

Representative Lola Spradley, Speaker of the House

Jeffrey M. Wells, Department of Personnel & Administration

Nancy McCallin, Office of State Planning & Budgeting

STATE OF COLORADO BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

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STATEMENT OF NET ASSETS JUNE 30, 2004

PRIMARY GOVERNMENT

	•			
(DOLLARS IN THOUSANDS)	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	\$ 1,387,469	681,878	\$ 2,069,347	\$ 125,282
Investments	10,209	149,041	159,250	20,214
Taxes Receivable, net	738,769	92,485	831,254	362
Other Receivables, net	142,242	181,182	323,424	243,863
Due From Other Governments	282,946	83,377	366,323	144
Internal Balances Due From Component Units	22,070	(22,070) 5,406	- 5,406	-
Inventories	16,696	33,065	49,761	- 6,517
Prepaids, Advances, and Deferred Charges	29,628	22,006	51,634	5,731
Total Current Assets	2,630,029	1,226,370	3,856,399	402,113
Noncurrent Assets:				
Restricted Cash and Pooled Cash	1,360,083	121,764	1,481,847	54,684
Restricted Investments	408,790	243,390	652,180	299,337
Restricted Receivables	347,245	889,108	1,236,353	35,939
Investments	4,055	612,352	616,407	998,376
Other Long-Term Assets Depreciable Capital Assets and Infrastructure, net	325,376 1,195,559	99,358	424,734 3,819,373	696,148 455,331
Land and Nondepreciable Infrastructure	11,593,379	2,623,814 364,662	11,958,041	455,331 158,917
Total Noncurrent Assets	15,234,487	4,954,448	20,188,935	2,698,732
TOTAL ASSETS	17,864,516	6,180,818	24,045,334	3,100,845
TOTAL ASSETS	17,004,310	0,100,010	24,043,334	3,100,043
LIABILITIES: Current Liabilities: Tax Refunds Payable	425,610	-	425,610	-
Accounts Payable and Accrued Liabilities	685,750	325,699	1,011,449	70,354
Due To Other Governments	172,239	37,120	209,359 703	821
Due To Component Units Deferred Revenue	- 87,754	703 138,344	226,098	3,617
Accrued Compensated Absences	7,992	9,719	17,711	8,628
Claims and Judgments Payable	12,084	5,715	12,084	6,369
Leases Payable	2,821	5,537	8,358	-
Notes, Bonds, COP's Payable	419,778	81,129	500,907	38,409
Other Current Liabilities	37,152	101,439	138,591	123,192
Total Current Liabilities	1,851,180	699,690	2,550,870	251,390
Noncurrent Liabilities:				
Deposits Held In Custody For Others	10	_	10	79,381
Accrued Compensated Absences	112,104	128,635	240,739	7 9,301
Claims and Judgments Payable	29,200	-	29,200	2,428
Capital Lease Payable	13,219	80,994	94,213	6,580
Notes, Bonds, COP's Payable	1,540,053	1,577,760	3,117,813	988,106
Other Long-Term Liabilities	500,903	70,174	571,077	55,590
Total Noncurrent Liabilities	2,195,489	1,857,563	4,053,052	1,132,085
TOTAL LIABILITIES	4,046,669	2,557,253	6,603,922	1,383,475
101/1E Eli DIETTES	170 107003	2,557,255	0,003,322	1,505, 175
NET ASSETS: Invested in Capital Assets, Net of Related Debt Restricted for:	11,744,822	2,188,949	13,933,771	277,685
Highway Construction and Maintenance	559,450	-	559,450	-
State Education	147,286	-	147,286	-
Unemployment Insurance	=	203,376	203,376	-
Debt Service	5,178	103,602	108,780	-
Emergencies	172,202	39,277	211,479	29
Permanent Funds and Endowments: Expendable	(2.022)	17 440	15 426	161 210
Expendable Nonexpendable	(2,023) 392,542	17,449 49,659	15,426 442,201	464,219 352,975
Court Awards and Other Purposes	134,658	297,765	432,423	331,361
Unrestricted	663,732	723,488	1,387,220	291,101
TOTAL NET ASSETS	\$ 13,817,847	\$ 3,623,565	\$ 17,441,412	\$1,717,370
	T 13/31/104/	+ 5,525,505	¥ 1//11/11/11/	41, 1, 1, 10, 0

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

	Expenses				Program Revenues					
(DOLLARS IN THOUSANDS)	Indirect					Operating		Capital		
				Cost	C	Charges for	G	rants and	Gr	ants and
Functions/Programs	Expenses		All	location		Services	Co	ntributions	Con	tributions
Primary Government:										
Governmental Activities:										
General Government	\$ 182,3	12	\$	(20,724)	\$	84,551	\$	127,354	\$	27
Business, Community, and										
Consumer Affairs	350,7	35		2,050		115,820		201,652		307
Education	172,4	54		1,369		8,668		405,680		5,381
Health and Rehabilitation	476,3	14		1,228		73,033		322,058		-
Justice	930,8	54		5,510		121,179		59,557		1,204
Natural Resources	79,6	18		1,496		76,174		20,532		57
Social Assistance	2,952,2	24		2,688		24,326		2,399,537		-
Transportation	618,8	95		2,163		220,184		73,478		480,466
Payments to School Districts	3,131,4	36		-		-		-		-
Payments to Other Governments	1,674,4	16		-		-		-		-
Interest on Debt	9,6	25				-		-		-
Total Governmental Activities	10,578,9	73		(4,220)		723,935		3,609,848		487,442
Business-type Activities:										
Higher Education	3,127,5	17		2,686		1,636,030		1,017,733		73,932
Unemployment Insurance	588,7			2,000		460,453		9,225		73,332
Student Obligation Bond Authority	37,3			_		34,069		20,573		_
Lottery	353,8			347		407,325		20,373		
Other Business-types	245,8			1,187		169,428		85,184		20
Total Business-type Activities	4,353,2			4,220		2,707,305		1,132,715		73,952
Total business-type Activities	7,333,2) <u>)</u>		4,220		2,707,303		1,132,713		73,932
Total Primary Government	14,932,2	12		-		3,431,240		4,742,563		561,394
Component Units:										
University of Colorado Hospital Authority	411,2	10		-		421,063		-		3,343
Denver Metropolitan Baseball Stadium District	5,8			-		637		-		-
Colorado Water Resources and	,									
Power Development Authority	37,7	33		-		25,561		22,238		-
University of Colorado Foundation	100,7			-		1,105		91,651		-
Colorado State University Foundation	25,7			-		261		51,304		-
Colorado School of Mines Foundation	12,4			-		226		15,088		-
University of Northern Colorado Foundation	7,8	78		-		1,527		2,093		-
CoverColorado	31,7					29,211		104		
Total Component Units	\$ 633,4	31	\$	_	\$	479,591	\$	182,478	\$	3,343

General Revenues:

Taxes:

Sales and Use Taxes

Excise Taxes

Individual Income Tax

Corporate Income Tax

Other Taxes

Restricted for Education:

Individual Income Tax

Corporate and Fiduciary Income Tax

Restricted for Transportation:

Fuel Taxes

Other Taxes

Unrestricted Investment Earnings

Other General Revenues

Payment from State of Colorado

(Transfers-Out) / Transfers-In Internal Capital Contributions

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment (Note 28)

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

			Changes in I	Net Ass	sets		
		Prima	ry Government				
G	overnmental	Bu	siness-Type			С	omponent
	Activities		Activities		Total		Units
	F0 244				F0 244		
\$	50,344	\$	-	\$	50,344		
	(35,006)		-		(35,006)		
	245,906		-		245,906		
	(82,481)		-		(82,481)		
	(754,434) 15,649		-		(754,434) 15,649		
	(531,049)		-		(531,049)		
	153,070		-		153,070		
	(3,131,486)		-		(3,131,486)		
	(1,674,416)		-		(1,674,416)		
	(9,625) (5,753,528)		-		(9,625) (5,753,528)		
	(3,733,328)				(3,733,328)		
	_		(402,538)		(402,538)		
	_		(119,046)		(119,046)		
	-		17,287		17,287		
	-		53,166		53,166		
	-		7,644		7,644		
	-		(443,487)		(443,487)		
	(5,753,528)		(443,487)		(6,197,015)		
	-		-		-		13,166
	-		-		-		(5,205)
	_		_		_		10,016
	-		-		_		(7,979)
	-		-		-		25,770
	-		-		-		2,896
	-		-		-		(4,258)
	-		_		_		(2,475) 31,931
							5-7-5-
	1,920,935		<u>-</u>		1,920,935		262
	112,741		-		112,741		-
	3,253,027		-		3,253,027		-
	220,236		-		220,236		-
	465,826		-		465,826		-
	260,402		-		260,402		-
	18,298		-		18,298		-
	556,309		_		556,309		_
	671		-		671		_
	16,534		-		16,534		35,440
	99,200		-		99,200		- 11 621
	(546,580)		- 546,580		-		11,634
	(20)		15,330		15,310		
	6,377,579		561,910		6,939,489		47,336
	624,051		118,423		742,474		79,267
	13,135,877 57,919		3,504,704 438		16,640,581 58,357		1,638,103
\$	13,817,847	\$	3,623,565	\$	17,441,412	\$	1,717,370
4	10,01,07	Ψ	3,023,303	Ψ	11111111	<u>Ψ</u>	-1, -1, 5, 0

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2004

(DOLLARS IN THOUSANDS)		PUBLIC	HIGHWAY USERS
	GENERAL	SCHOOL	TAX
ASSETS:			
Cash and Pooled Cash	523,977	\$ 22,346	\$ 26,852
Taxes Receivable, net	776,881	-	
Other Receivables, net	56,942	_	2,660
Due From Other Governments	272,439	177	82
Due From Other Funds	41,270	5,518	11,132
Inventories	9,430	-	6,047
Prepaids, Advances, and Deferred Charges	18,722	-	66
Restricted Cash and Pooled Cash	10,722	_	967,608
Restricted Investments	_	_	24
Restricted Receivables			343,943
Investments	4,239	_	J+J,9+J -
Other Long-Term Assets	300	_	8,547
Land and Nondepreciable Infrastructure	500	_	0,547
TOTAL ASSETS	\$ 1,704,200	\$ 28,041	\$ 1,366,961
TOTAL ASSETS	\$ 1,704,200	\$ 20,041	\$ 1,366,961
LIABILITIES:			
Tax Refunds Payable	\$ 421,817	\$ -	\$ 304
Accounts Payable and Accrued Liabilities	443,958	1,744	182,958
Due To Other Governments	61,515	7,951	51,892
Due To Other Funds	13,305	19	477
Deferred Revenue	115,040	-	18,947
Compensated Absences Payable	39	-	-
Claims and Judgments Payable	358	-	-
Notes, Bonds, COP's Payable	397,023	-	-
Other Current Liabilities	4,777	-	35
Deposits Held In Custody For Others	5	-	-
TOTAL LIABILITIES	1,457,837	9,714	254,613
FUND DALANCEC.			
FUND BALANCES:			
Reserved for:	2 100		721 774
Encumbrances	2,106	-	731,774
Noncurrent Assets	300	-	8,547
Debt Service	206 540	-	
Statutory Purposes	206,540	-	-
Risk Management	33,145	-	-
Emergencies	-	-	245.072
Funds Reported as Restricted	-	-	345,972
Unreserved, Reported in:			
Special Revenue Funds	-	18,327	23,262
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:	4 272		2 702
Designated for Unrealized Investment Gains	4,272	10.227	2,793
TOTAL FUND BALANCES	246,363	18,327	1,112,348
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,704,200	\$ 28,041	\$ 1,366,961
IOTAL FIRMILITED WIND LOUND DATWICED	Ψ 1,/07,200	φ 20,0 1 1	Ψ 1,300,901

	CAPITAL ROJECTS		STATE UCATION	GO\	OTHER /ERNMENTAL FUNDS	TOTAL
\$	39,453	\$	-	\$	752,699	\$ 1,365,327
·	· -		-		49,276	826,157
	1,113		-		81,276	141,991
	4,373		-		3,996	281,067
	668		-		59,301	117,889
	-				299	15,776
	6,198		- 00 402		4,172	29,158
	-		88,482 57,848		303,993 350,918	1,360,083 408,790
			997		2,305	347,245
	_		997 -		10,025	14,264
	423		_		222,400	231,670
	-		_		12,689	12,689
\$	52,228	\$	147,327	\$	1,853,349	\$ 5,152,106
	02/220	тт	117/027	тт	1,000,0	 3/132/133
\$	- 12.426	\$	-	\$	3,489	\$ 425,610
	12,426		41		37,278	678,364
	382		41		50,834 79,993	172,233 94,176
	2,902		_		37,669	174,558
	-		_		-	39
	-		-		11,726	12,084
	-		-		-	397,023
	538		-		3,820	9,170
	-		-		5	10
	16,248		41		224,814	1,963,267
	62.640					707 506
	63,640		-		-	797,520
	423		-		269,873 5,178	279,143
	11,589				3,176	5,178 218,129
	11,309		_		_	33,145
	_		_		172,202	172,202
	-		143,533		508,923	998,428
			•		,	,
	-		-		-	41,589
	(40,010)		-		-	(40,010)
	-		-		664,179	664,179
	-		-		(2,029)	(2,029)
	338		3,753		10,209	21 265
	35,980		147,286		1,628,535	21,365 3,188,839
	33,300		147,200		1,020,333	3,100,039
\$	52,228	\$	147,327	\$	1,853,349	\$ 5,152,106

GOVERNMENTAL FUNDS BALANCE SHEET RECONCILED TO STATEMENT OF NET ASSETS JUNE 30, 2004

		(A)	(B)	(C)	(D)	(E)	(F)	
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUND	CAPITAL ASSET BALANCES	DEBT RELATED BALANCES	CENTRALIZED RISK MANAGEMENT LIABILITIES	OTHER MEASUREMENT FOCUS ADJUSTMENTS	INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets: Cash and Pooled Cash	\$ 1,365,327	\$ 22,102	\$ -	\$ -	\$ -	\$ 40	\$ -	\$ 1,387,469
Investments Taxes Receivable, net	826,157	239	-	-	-	10,209 (87,627)	-	10,209 738,769
Other Receivables, net	141,991	111	=	=	=	140	=	142,242
Due From Other Governments	281,067	230	=	=	=	1,649	- (04 220)	282,946
Due From Other Funds Inventories	117,889 15,776	77 920	-	-	-	(1,667)	(94,229)	22,070 16,696
Prepaids, Advances, and Deferred Charges	29,158	470	-	-	-	-	-	29,628
Total Current Assets	2,777,365	24,149	_	-	-	(77,256)	(94,229)	2,630,029
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,360,083	-	-	-	-	-	-	1,360,083
Restricted Investments	408,790	-	-	-	-	-	-	408,790
Restricted Receivables Investments	347,245 14,264	-	-	-	-	(10,209)	-	347,245 4,055
Other Long-Term Assets	231,670	430	=	=	=	93,276	=	325,376
Depreciable Capital Assets and Infrastructure, net	- 12 600	65,696	1,129,863	-	-	-	-	1,195,559
Land and Nondepreciable Infrastructure	12,689	-	11,580,690	=	<u>-</u>		-	11,593,379
Total Noncurrent Assets	2,374,741	66,126	12,710,553	-	-	83,067	-	15,234,487
TOTAL ASSETS	5,152,106	90,275	12,710,553	-	-	5,811	(94,229)	17,864,516
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	425,610		-		-	-	-	425,610
Accounts Payable and Accrued Liabilities Due To Other Governments	678,364 172,233	7,266	-	120	-	- 6	-	685,750 172,239
Due To Other Funds	94,176	59	-	-	-	(6)	(94,229)	-
Deferred Revenue	174,558	823	-	-	-	(87,627)	` ' -	87,754
Compensated Absences Payable Claims and Judgments Payable	39 12,084	40	-	-	=	7,913	-	7,992 12,084
Leases Payable	-	184	_	2,637	=	=	=	2,821
Notes, Bonds, COP's Payable	397,023	11,635	-	11,120	-	-	-	419,778
Other Current Liabilities	9,170	=	=	=	27,982	=	=	37,152
Total Current Liabilities	1,963,257	20,007	-	13,877	27,982	(79,714)	(94,229)	1,851,180
Noncurrent Liabilities:	4.0							40
Deposits Held In Custody For Others Accrued Compensated Absences	10	1,460	-	-	-	110,644	-	10 112,104
Claims and Judgments Payable	-	-, 100	-	-		29,200	-	29,200
Capital Lease Payable	=	9,151	=	4,068	=	=	=	13,219
Notes, Bonds, COP's Payable Other Long-Term Liabilities	-	22,023	-	1,518,030	70,689	430,214	-	1,540,053 500,903
Total Noncurrent Liabilities	10	32,634		1,522,098	70,689	570,058		2,195,489
TOTAL LIABILITIES	1,963,267	52,641		1,535,975	98,671	490,344	(94,229)	4,046,669
TOTAL LIABILITIES	1,903,207	32,041		1,333,973	90,071	450,344	(54,225)	4,040,009
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt Restricted for:	12,689	22,703	12,710,553	(1,001,123)	-	-	-	11,744,822
Highway Construction and Maintenance	1,080,425	-	-	(520,975)	_	-	-	559,450
State Education	147,286	-	-	-	-	-	-	147,286
Debt Service Emergencies	5,178 172,202	-	-	-	-	-	-	5,178 172,202
Permanent Funds and Endowments:	1/2,202							1/2,202
Expendable	(2,023)	-	-	-	-	-	-	(2,023)
Nonexpendable Court Awards and Other Purposes	392,542 134,658	-	-	-	-	-	-	392,542 134,658
Unrestricted	1,245,882	14,931	-	(13,877)	(98,671)	(484,533)	-	663,732
TOTAL NET ASSETS	\$ 3,188,839	\$ 37,634	\$ 12,710,553	\$ (1,535,975)	\$ (98,671)	\$ (484,533)	\$ -	\$ 13,817,847

Differences Between the *Balance Sheet – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Net Assets*

- (A) Management uses Internal Services Funds to charge the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Assets*. Internal Service Funds are reported using proprietary fund type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:
 - Fleet management, printing, and mail services;
 - Information management services;
 - Telecommunication services;
 - Building maintenance and management in the capitol complex;
 - Administrative hearings services;
 - Debt collection.
- (B) Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources, and therefore, they are reported in the government-wide *Statement of Net Assets*.
- (C) Long-term liabilities such as leases, bonds, notes, mortgages, and certificates of participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net assets and are therefore reported in the Statement of Net Assets. The portion reported as current in the reconciliation is payable within the following fiscal year. The largest portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.
- (D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.
- (E) Other measurement focus adjustments include:
 - Interfund balances receivable from or payable to Fiduciary Funds are reported on the fund-level *Balance Sheet Governmental Funds* as due to other funds. On the government-wide *Statement of Net Assets*, these amounts are considered external receivables and payables.
 - Long-term assets and long-term taxes receivable, are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Assets* when the revenue is recognized on the government-wide *Statement of Activities*.
 - Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Assets*, but they are not reported on the fund-level *Balance Sheet Governmental Funds*.
 - Other long-term liabilities are not reported on the fund-level *Balance Sheet Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net assets, and they are therefore reported on the government-wide *Statement of Net Assets*.
- (F) All interfund payable balances shown on the fund-level *Balance Sheet Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Assets* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

REVENUES: Taxes:		SCHOOL	HIGHWAY USERS TAX	
Taxes:				
Individual and Fiduciary Income	\$ 3,188,769	\$ -	\$ -	
Corporate Income	217,703	-	· -	
Sales and Use	1,908,355	-	-	
Excise	96,642	-	556,312	
Other Taxes	243,547	-	671	
Licenses, Permits, and Fines	46,311	-	226,193	
Charges for Goods and Services	57,056	-	5,209	
Investment Income	5,218	7	27,677	
Federal Grants and Contracts	3,071,109	-	494,124	
Other	242,151	3,270	42,267	
TOTAL REVENUES	9,076,861	3,277	1,352,453	
EXPENDITURES:				
Current:	211 020		7.602	
General Government	211,939	-	7,603	
Business, Community and Consumer Affairs Education	133,732 91,638	90	_	
Health and Rehabilitation		90	6,935	
Justice	397,209 812,349	_	63,859	
Natural Resources	52,253	_	03,639	
Social Assistance	2,886,727			
Transportation	2,000,727	-	1,096,973	
Capital Outlay	12,065	_	12,943	
Intergovernmental:	12,005		12,945	
Cities	22,904	_	106,630	
Counties	1,101,659	_	155,772	
School Districts	448,623	2,317,501	-	
Special Districts	68,063	-	15,252	
Federal	1,523	_	10	
Other	23,512	-	238	
Debt Service	11,724	-	-	
TOTAL EXPENDITURES	6,275,920	2,317,591	1,466,215	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	S 2,800,941	(2,314,314)	(113,762)	
OTHER FINANCING SOURCES (USES):				
Transfers-In	239,691	2,319,739	5,723	
Transfers-Out	(2,931,143)	(1,024)	(111,320)	
Face Amount of Debt Issued	-	-	234,915	
Bond Premium/Discount	-	-	20,059	
Capital Lease Debt Issuance	1,750	-	-	
Sale of Capital Assets	(2)	-	1,182	
Debt Refunding Issuance Debt Refunding Payments	-	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	(2,689,704)	2,318,715	150,559	
NET CHANGE IN FUND BALANCES	111,237	4,401	36,797	
FUND BALANCE, FISCAL YEAR BEGINNING Prior Period Adjustment (See Note 28)	134,715 411	13,926	1,075,551 -	
/	\$ 246,363	\$ 18,327	\$ 1,112,348	

				OTHER	
CAPIT			STATE	GOVERNMENTAL	
PROJE	CTS	ED	UCATION	FUNDS	TOTAL
\$	-	\$	261,190	\$ -	\$ 3,449,959
	-		17,512	-	235,215
	-		-	10,730	1,919,085
	-		-	1,515	654,469
	-		-	291,388	535,606
	763		-	278,037	551,304
	-		- 1 750	45,955	108,220
	,834		1,758	17,920	54,414
	,329 ,828		- 24	293,705 62,423	3,880,267 354,963
				•	, , , , , , , , , , , , , , , , , , ,
28	,754		280,484	1,001,673	11,743,502
4	,118		_	43,360	267,020
	,928		-	171,372	307,032
	,830		23	23,913	119,494
	17		-	45,827	449,988
1	,628		-	19,040	896,876
2	,937		-	29,540	84,730
14	,793		-	69,998	2,971,518
	8		-	1,100	1,098,081
28	,424		-	9,782	63,214
	548		_	80,638	210,720
	336		-	61,587	1,319,354
	-		339,770	25,592	3,131,486
	132		-	13,692	97,139
	-		-	723	2,256
	749		-	20,447	44,946
	-			80,834	92,558
59	,448		339,793	697,445	11,156,412
(30	,694)		(59,309)	304,228	587,090
	-				
21	,452		_	232,757	2,819,362
	,432 ,637)		(11,950)	(294,079)	(3,355,153)
(-	-		-	-	234,915
	-		-	-	20,059
	-		-	71	1,821
	-		-	10,976	12,156
	-		-	312,826 (313,241)	312,826 (313,241)
15	,815		(11,950)	(50,690)	(267,255)
(14	,879)		(71,259)	253,538	319,835
				1 222 605	2.027.201
50	,859		218,545	1,333,605	2,827,201
				41,392	41,803
\$ 35	,980	\$	147,286	\$ 1,628,535	\$ 3,188,839

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

,		(A)	(B)	(C)	(D)	
(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	INTERNAL SERVICE FUNDS	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes: Individual and Fiduciary Income	\$ 3,449,959	\$ -	\$ -	\$ -	\$ 17,921	\$ 3,467,880
Corporate Income	235,215	Ψ -	Ψ - -	φ - -	2,533	237,748
Sales and Use	1,919,085	-	-	-	1,852	1,920,937
Excise	654,469	-	-	-	14,585	669,054
Other Taxes	535,606	-	-	-	(2,386)	533,220
Licenses, Permits, and Fines	551,304	-	-	-	3,866	555,170
Charges for Goods and Services	108,220	-	-	-	- (45)	108,220
Investment Income Federal Grants and Contracts	54,414	127	-	-	(45)	54,496
Other	3,880,267 354,963	-	- 55	-	114	3,880,267 355,132
TOTAL REVENUES	11,743,502	127	55	-	38,440	11,782,124
EXPENDITURES: Current:						
General Government	267,020	(584)	9,704	-	(19,471)	256,669
Business, Community and Consumer Affairs	307,032	(378)	1,796	-	67,910	376,360
Education	119,494	(71)	506	-	(212)	119,717
Health and Rehabilitation	449,988	(101)	5,116	-	(351)	454,652
Justice	896,876	(3,961)	26,655	-	761	920,331
Natural Resources Social Assistance	84,730 2,971,518	(110) (254)	2,490 (11,790)	-	(200) (680)	86,910 2,958,794
Transportation	1,098,081	(184)	(539,706)	-	(547)	2,936,794 557,644
Capital Outlay	63,214	(104)	(53,498)	_	(547)	9,716
Intergovernmental:	05,214		(33,430)			5,710
Cities	210,720	_	-	_	-	210,720
Counties	1,319,354	-	-	-	-	1,319,354
School Districts	3,131,486	-	-	-	-	3,131,486
Special Districts	97,139	-	-	-	-	97,139
Federal	2,256	-	-	-	-	2,256
Other	44,946		-	-	-	44,946
Debt Service	92,558	975	-	(16,720)	-	76,813
TOTAL EXPENDITURES	11,156,412	(4,668)	(558,727)	(16,720)	47,210	10,623,507
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	587,090	4,795	558,782	16,720	(8,770)	1,158,617
OTHER FINANCING SOURCES (USES):						
Transfers-In	2,819,362	803	-	-	-	2,820,165
Transfers-Out	(3,355,153)	(4,209)	-	-	-	(3,359,362)
Face Amount of Debt Issued	234,915	-	-	(234,640)	-	275
Bond Premium/Discount	20,059	-	-	(20,059)	-	-
Capital Lease Debt Issuance	1,821	-	- (0.212)	(1,821)	-	- 2.044
Sale of Capital Assets Debt Refunding Issuance	12,156	-	(8,212)	(212.026)	-	3,944
Debt Refunding Issuance Debt Refunding Payments	312,826 (313,241)	-	-	(312,826) 313,241	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(267,255)	(3,406)	(8,212)	(256,105)		(534,978)
Internal Service Fund Charges to BTAs	(207,233)	412	(0,212)	(230,103)		412
Anternal Service Fund Charges to 5175		712				712
NET CHANGE FOR THE YEAR	\$ 319,835	\$ 1,801	\$ 550,570	\$ (239,385)	\$ (8,770)	\$ 624,051

Differences Between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Governmental Activities on the Government-Wide Statement of Activities

- (A) Management uses Internal Services Funds to charge the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on cost reimbursement basis and should break even each period. If an Internal Service Funds makes a profit, the other funds of the state have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the state have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:
 - Fleet management, printing, and mail services;
 - Information management services;
 - Telecommunication services;
 - Building maintenance and management in the capitol complex;
 - Administrative hearings services;
 - Debt collection.
- (B) The following adjustments relate to capital assets:
 - Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds* because they are not current financial resources. However, such donations increase net assets and are reported on both the government-wide *Statement of Net Assets* and *Statement of Activities*.
 - Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
 - Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Assets*. They are not reported as expenses on the government-wide *Statement of Activities*.
 - On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the book value of the asset.
- (C) The following adjustments relate to debt issuance and debt service including leases:
 - Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.* These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
 - Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, but are reported on the government-wide Statement of Activities.
 - Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.* From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
- (D) Other measurement focus adjustments include:
 - Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet Governmental Funds*; however, from a full accrual perspective, changes in the deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
 - Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.* However, from a full accrual perspective, these are expenses that are reported on the government-wide *Statement of Activities*.

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2004

(DOLLARS IN THOUSANDS)		
	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	\$ 462,969	\$ 126,760
Investments	148,381	- 02.401
Taxes Receivable, net Student and Other Receivables, net	151,658	92,481 6,049
Due From Other Governments	76,518	1,525
Due From Other Funds	6,044	-/
Due From Component Units	5,406	-
Inventories	21,965	-
Prepaids, Advances, and Deferred Charges	16,368	-
Total Current Assets	889,309	226,815
Noncurrent Assets:		
Restricted Cash and Pooled Cash	44,713	-
Restricted Investments	131,671	-
Restricted Receivables	-	-
Investments	581,909	-
Other Long-Term Assets Depreciable Capital Assets and Infrastructure, net	87,959 2,527,600	-
Land and Nondepreciable Infrastructure	254,431	-
·		
Total Noncurrent Assets	3,628,283	-
TOTAL ASSETS	4,517,592	226,815
LIABILITIES: Current Liabilities: Accounts Payable and Accrued Liabilities Due To Other Governments Due To Other Funds	303,516 - 3,201	356 - 11,026
Intrafund Payables	-	-
Due To Component Units	703	-
Deferred Revenue	108,144	-
Compensated Absences Payable Leases Payable	8,891 5,188	
Notes, Bonds, COP's Payable	32,508	-
Other Current Liabilities	72,003	12,057
Total Current Liabilities	534,154	23,439
Noncurrent Liabilities:		
Accrued Compensated Absences	120,254	_
Capital Lease Payable	80,588	_
Notes, Bonds, COP's Payable	736,546	-
Other Long-Term Liabilities	33,521	-
Total Noncurrent Liabilities	970,909	-
TOTAL LIABILITIES	1,505,063	23,439
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt Restricted for:	1,990,560	-
Unemployment Insurance	-	203,376
Debt Service	4,405	
Emergencies Permanent Funds and Endowments:	-	-
Expendable	17,449	-
Nonexpendable	49,659	-
Court Awards and Other Purposes	296,330	-
Unrestricted	654,126	<u> </u>
TOTAL NET ASSETS	\$ 3,012,529	\$ 203,376

The notes to the financial statements are an integral part of this statement. $% \left(1\right) =\left(1\right) \left(1\right) \left($

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

ENTERPRISE	FUNDS			ACTIVITIES
STUDENT				
OBLIGATION				INTERNAL
BOND	STATE	OTHER		SERVICE
AUTHORITY	LOTTERY	ENTERPRISES	TOTAL	FUNDS
\$ 30,545	\$ 25,458	\$ 36,146	\$ 681,878	\$ 22,10
660	-	-	149,041	, -
-	_	4	92,485	23
1,770	14,742	6,963	181,182	- 11
	, -	5,190	83,233	23
484	-	2,374	8,902	7
-	-	-	5,406	
-	1,321	9,779	33,065	92
362	3,564	1,712	22,006	47
33,821	45,085	62,168	1,257,198	24,14
-	-	77,051	121,764	
111,719	-	-	243,390	
885,728	-	3,380 246	889,108 612,352	
30,197			612,352	42
10,079 1,387	1,029	1,320 93,799	99,358 2,623,815	43 65,69
-	1,029	110,231	364,662	03,09
1,039,110	1,029	286,027	4,954,449	66,12
1,072,931	46,114	348,195	6,211,647	90,27
2 711	2.102	15.024	225 600	7.20
2,711 18,822	3,182 26	15,934 7,458	325,699 26,306	7,26
308	25,806	1,301	41,642	5
-	-	-	-	
-	-	-	703	
-	299	29,901	138,344	82
-	78	750	9,719	4
-	-	349	5,537	18
46,765	-	1,856	81,129	11,63
2,831	14,224	324	101,439	
71,437	43,615	57,873	730,518	20,00
96	654	7,631	128,635	1,46
-	-	406	80,994	9,15
835,832	-	5,382	1,577,760	22,02
36,524	129	-	70,174	
872,452	783	13,419	1,857,563	32,63
943,889	44,398	71,292	2,588,081	52,64
1,387	1,029	195,974	2,188,950	22,70
	-	-	203,376	
99,197	-	-	103,602	
-	-	39,277	39,277	
-	-	-	17,449	
			49,659	
	-	1,435	297,765	
- 28,458	687	40,217	723,488	14,93

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	HIGHER				
(DOLLARS IN THOUSANDS)	EDUCATION	UNEMPLOYMENT			
	INSTITUTIONS	INSURANCE			
ODED ATTAIC DEVENILIES.					
OPERATING REVENUES: License and Permits	\$ -	\$ -			
Tuition and Fees	893,091	Ψ -			
Pledged Tuition and Fees	37,539	-			
Scholarship Allowance for Tuition and Fees	(169,794)	-			
Sales of Goods and Services	492,325	-			
Pledged Sales of Goods & Services	194,866	-			
Scholarship Allowance for Sales of Goods & Services	(14,638)	-			
Investment Income (Loss)	1,321	-			
Pledged Investment Income	14.000	-			
Rental Income Gifts and Donations	14,988 8,579	-			
Federal Grants and Contracts	732,269	126,546			
Pledged Federal Grants and Contracts	133,462	-			
Intergovernmental Revenue	6,013	_			
Other	140,016	338,255			
Pledged Other Revenues	7,014	-			
TOTAL OPERATING REVENUES	2,477,051	464,801			
		·			
OPERATING EXPENSES:					
Salaries and Fringe Benefits	1,978,255	- F02 122			
Operating and Travel Cost of Goods Sold	770,860 108,273	593,132			
Depreciation and Amortization	182,819				
Intergovernmental Distributions	42,181	-			
Debt Service	· -	-			
Prizes and Awards	70	-			
TOTAL OPERATING EXPENSES	3,082,458	593,132			
OPERATING INCOME (LOSS)	(605,407)	(128,331)			
NONOPERATING REVENUES AND (EXPENSES):					
Fines and Settlements	83	-			
Investment Income	51,212	9,284			
Pledged Investment Income	1,621	-			
Rental Income Gifts and Donations	28,017 75,265	-			
Intergovernmental Distributions	(19,544)	-			
Gain/(Loss) on Sale of Capital Assets	4,336	-			
Debt Service	(31,414)	-			
Other Expenses	-	-			
Other Revenues	8,532	-			
TOTAL NONOPERATING REVENUES (EXPENSES)	118,108	9,284			
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(487,299)	(119,047)			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions	96,993	_			
Additions to Permanent Endowments	33	-			
Transfers-In	605,218	-			
Transfers-Out	(3,025)	-			
TOTAL CONTRIBUTIONS AND TRANSFERS	699,219	-			
CHANGE IN NET ASSETS	211,920	(119,047)			
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,800,609	322,423			
Prior Period/Other Adjustments (See Note 28)	_,000,000	-			
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 3,012,529	\$ 203,376			
IOIAL IILI ASSLIS - FISCAL ILAK LINUUNG	\$ 3,012,529	р 203,370			

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

							· -
ST	UDENT						
OBL	IGATION						INTERNAL
	BOND		STATE		OTHER		SERVICE
	THORITY		OTTERY		TERPRISES	TOTAL	FUNDS
						-	
\$	_	\$	61	\$	66,136	\$ 66,197	\$ -
Ψ	_	Ψ	-	Ψ	396	893,487	Ψ _
	_		_		-	37,539	_
			-			(169,794)	
	530		407,175		77,470	977,500	77,161
	-		-		-	194,866	<u> </u>
	-		-		-	(14,638)	-
	3,697		_		488	5,506	_
	2,252		_		_	2,252	_
	2,232				1 /17	16,405	8,798
	-				1,417		6,796
	-		-		-	8,579	-
	-		-		93,517	952,332	
	14,623		-		-	148,085	-
	-		-		12,596	18,609	-
	6		89		1,587	479,953	363
	33,534		-		-,50,	40,548	-
	54,642		407,325		253,607	3,657,426	86,322
	1,454		8,616		105,046	2,093,371	19,359
	12,521		42,352		99,432	1,518,297	45,266
	4,949		10,196		19,220	142,638	4,078
	329		490		7,037	190,675	16,693
	323		- -		4,646	46,827	3
	17,862		_		10,036	27,898	-
	17,002		242 527		672	243,269	2
			242,527		072	243,209	
	37,115		304,181		246,089	4,262,975	85,401
							'
	17,527		103,144		7,518	(605,549)	921
	-		-		471	554	134
	-		-		(445)	60,051	126
	-		-			1,621	-
	-		-		360	28,377	
	_		_		1,122	76,387	_
	_		(49,639)		-/	(69,183)	_
			(15/055)		385	4,721	1,048
	=		_		(789)		
	-		-			(32,203)	(975)
	-		-		(3)	(3)	(122)
						8,532	. <u> </u>
	-		(49,639)		1,101	78,854	211
	17,527		53,505		8,619	(526,695)	1,132
	17/327		33,303		0,013	(320,033)	
					5,541	102,534	4,083
	-		-			102,534 52	4,063
	-		-		19 510		803
	(260)		(54.762)		510	605,728	
	(268)		(54,763)		(5,139)	(63,195)	(4,209)
· <u>-</u>	(268)		(54,763)		931	645,119	677
	. ,		,			, -	
	17,259		(1,258)		9,550	118,424	1,809
	_: ,		(=,=00)		-,555	110, .21	2,003
	111,783		2,974		266,915	3,504,704	19,709
	,. 00		_,~.				
			-		438	438	16,116
\$	129,042	\$	1,716	\$	276,903	\$ 3,623,566	\$ 37,634
<u> </u>	,-		, -		,	. , , ,	

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

-		
(DOLLARS IN THOUSANDS)		
	HIGHER	
	EDUCATION	UNEMPLOYMENT
	INSTITUTIONS	INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	\$ 786,530	\$ -
Fees for Service	624,529	-
Sales of Products	123,613	-
Gifts, Grants, and Contracts	984,139	130,675
Loan and Note Repayments	21,012	-
Unemployment Insurance Taxes	-	285,401
Other Sources	48,484	-
Cash Payments to or for:		
Employees	(1,924,528)	-
Suppliers	(827,871)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(580,629)
Scholarships	(79,392)	-
Others for Student Loans and Loan Losses	(20,541)	-
Other Governments	(42,181)	-
Other	(14,162)	(5,006)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(320,368)	(169,559)
CACLLELOWIC FROM MONCARITAL FINANCING ACTIVITIES.		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	605,218	-
Transfers-Out	(3,025)	-
Receipt of Deposits Held in Custody	217,266	-
Release of Deposits Held in Custody	(210,803)	-
Gifts for Other Than Capital Purposes	75,298	-
Intergovernmental Distributions	(19,544)	-
NonCapital Debt Service Payments	(274)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	664,136	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(321,797)	_
Capital Contributions	3,900	_
Capital Gifts, Grants, and Contracts	28,377	_
Proceeds from Sale of Capital Assets	19,488	-
Income from Property	43,005	_
Capital Debt Proceeds	123,312	_
Capital Debt Service Payments	(62,727)	_
Capital Lease Payments	(7,608)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(174,050)	-
INLI CASH I KUM CAPITAL KELATED FINANCING ACTIVITIES	(1/1,000)	

The notes to the financial statements are an integral part of this statement.

(Continued)

BUSINESS TYPE ACTIVITIES GOVERNMENTAL ENTERPRISE FUNDS ACTIVITIES STUDENT OBLIGATION BOND OTHER INTERNAL LOTTERY **AUTHORITY ENTERPRISE TOTALS** SERVICE FUNDS 947 787,477 3 8,416 105,023 737,968 75,589 565,039 407,927 33,499 1,782 95,679 1,225,126 14,633 258,591 279,603 285,401 123 15,054 63,661 268 (1,490)(7,993)(2,026,291)(18,077)(92,280)(15,279)(24,418)(947,409)(50,420)(79,841)(277,519) (6,171)(283,690) (580,629) (79,392)(52,186)(328,793)(401,520)(46,813)(3) (4,632)(34)(2,368)(21,570) (39)(63,922)98,086 12,724 (443,039)9,103 510 605,728 803 (268)(54,763)(5,139)(63,195)(4,209)6 217,272 (103)(210,906)912 76,210 (49,250)(68,794)(56,304)(280)(56,858)499,457 (56,572)(104,013)(4,094)(3,406)(14,095)(16,766)(141)(132)(336, 165)3,900 28,377 3,846 61 19,549 8,288 1,618 44,623 8,801 123,358 29,433 46

(869) (292)

(13,531)

(132)

(141)

(63,596)

(7,900)

(187,854)

(38,257)

(4,656)

(1)

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

(Continued)

HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
29,589 3,449,743 (3,529,446) (13,135)	9,284 - - -
(63,249)	9,284
106,469	(160,275)
401,213	287,035
\$ 507,682	\$ 126,760
\$ (605,407) 182,819 (14,988) 8,615 43 3,471 2,606	\$ (128,331)
105,572 1,186 (5,679) (6,300) 7,694	(41,032) - - - 6,737 (6,933)
\$ (320,368)	\$ (169,559)
5,909 58,873 33,661 2,765 90	- - - -
	58,873 33,661 2,765

BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS

GOVERNMENTAL ACTIVITIES

STUDENT OBLIGATION BOND AUTHORITY	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
3,438 1,557,522 (1,440,637) (826)	843 - - (861)	3,133 1 - (3,091)	46,287 5,007,266 (4,970,083) (17,913)	202 - - (76)
119,497	(18)	43	65,557	126
(1,138)	(6,077)	(4,858)	(65,879)	1,167
31,683	31,535	118,055	869,521	20,935
\$ 30,545	\$ 25,458	\$ 113,197	\$ 803,642	\$ 22,102
\$ 17,527 329 (5,949) - 2 17,862 (90,122) - (5,448) 442 1,435	\$ 103,144 490 - - (240) 40 615 (273) (876) 458 (5,272)	\$ 7,518 7,037 (1,905) 697 28 (301) 208 (1,147) (116) 767 122 (184)	\$ (605,549) 190,675 (22,842) 9,312 71 2,932 20,716 (26,114) 797 (11,236) 1,459 (3,260)	\$ 921 16,693 (8,802) 134 - 206 133 (183) (236) (213) 288 162
\$ (63,922)	\$ 98,086	\$ 12,724	\$ (443,039)	\$ 9,103
3,091 - - -	- - - 21 -	1,304 30 (10) - - 263	7,213 58,903 36,742 2,786 90 2,915	232 5 - - - -

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2004

JUNE 30, 2004	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS	
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PINNACOL ASSURANCE	PRIVATE PURPOSE TRUST	AGENCY	TOTALS
ASSETS:					
Current Assets:	ф Г.7 Г 2	¢ 02.200	¢ 62.047	± 220.0F0	± 401.0E7
Cash and Pooled Cash	\$ 5,753	\$ 93,398	\$ 62,847	\$ 329,059	\$ 491,057
Investments	-	12,588	579	5,643	18,810
Taxes Receivable, net	1 105	12 120	6 202	81,555	81,555
Other Receivables, net	1,185	13,130	6,202	414	20,931
Due From Other Funds	-	-	308	10,512	10,820
Inventories	-	-	-	4	4
Prepaids, Advances, and Deferred Charges	28	-	-	-	28
Noncurrent Assets:					
Investments:		100.000			100.000
Government Securities	-	189,688	-	-	189,688
Corporate Bonds	-	547,640	-	-	547,640
Asset Backed Securities	-	21,453	-	-	21,453
Mortgages	206 120	520,798	-	-	520,798
Mutual Funds	286,120	124,422	1,517,101	-	1,927,643
Guaranteed Investment Contracts	-	-	17,653	0.462	17,653
Other Long-Term Assets		<u>-</u>	-	8,463	8,463
TOTAL ASSETS	293,086	1,523,117	1,604,690	435,650	3,856,543
LIABILITIES:					
Current Liabilities:					
Tax Refunds Payable	-	-	-	790	790
Accounts Payable and Accrued Liabilities	1,240	-	37,601	361	39,202
Due To Other Governments	· -	-	-	147,016	147,016
Due To Other Funds	-	-	146	1,665	1,811
Claims and Judgments Payable	-	-	-	545	545
Other Current Liabilities	-	-	-	244,887	244,887
Noncurrent Liabilities:					
Deposits Held In Custody For Others	-	-	-	40,220	40,220
Accrued Compensated Absences	29	-	-	· -	29
Other Long-Term Liabilities	-	-	2,040	166	2,206
TOTAL LIABILITIES	1,269	-	39,787	435,650	476,706
NET ASSETS: Held in Trust for:					
Pension/Benefit Plan Participants	291,814	-	-	-	291,814
Investment Trust Participants	-	1,523,117	-	-	1,523,117
Individuals, Organizations, and Other Entities	-	-	1,564,903	-	1,564,903
Unrestricted	3	-	-	-	3
TOTAL NET ASSETS	\$ 291,817	\$ 1,523,117	\$ 1,564,903	\$ -	\$ 3,379,837

STATEMENT OF CHANGES IN NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	PENSION TRUST FUNDS	INVESTMENT TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	
(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PINNACOL ASSURANCE	PRIVATE PURPOSE TRUST	TOTALS
ADDITIONS: Additions By Participants Member Contributions Employer Contributions Investment Income/(Loss) Employee Deferral Fees Unclaimed Property Receipts Other Additions	\$ 1,207 112,838 76,402 29,673 450 - 375	\$ 560,876 - - 12,942 - - - 520	\$ 493,214 - - 145,402 - 40,917 1,603	\$ 1,055,297 112,838 76,402 188,017 450 40,917 2,498
TOTAL ADDITIONS	220,945	574,338	681,136	1,476,419
DEDUCTIONS: Distributions to Participants Health Insurance Premiums Paid Other Benefits Plan Expense Payments in Accordance with Trust Agreements Administrative Expense Other Deductions	48,323 119,391 28,255 - 390 879	469,553 - - - - -	- - - 92,605 - -	517,876 119,391 28,255 92,605 390 879
TOTAL DEDUCTIONS	197,238	469,553	92,605	759,396
TRANSFERS: Transfers-In Transfers-Out	(426)	- -	241 (3,151)	241 (3,577)
TOTAL TRANSFERS	(426)	-	(2,910)	(3,336)
NET INCREASE (DECREASE) IN ASSETS	23,281	104,785	585,621	713,687
NET ASSETS AVAILABLE: FISCAL YEAR BEGINNING	268,536	1,418,332	979,282	2,666,150
FISCAL YEAR ENDING	\$ 291,817	\$ 1,523,117	\$ 1,564,903	\$ 3,379,837

STATEMENT OF NET ASSETS COMPONENT UNITS JUNE 30, 2004

(DOLLARS IN THOUSANDS)	OF (IVERSITY COLORADO DSPITAL ITHORITY	Water Ani Devi	LORADO RESOURCES D POWER ELOPMENT THORITY	METR MAJO BASEBA	ENVER COPOLITAN OR LEAGUE ALL STADIUM STRICT
ASSETS:						
Current Assets:	4	27.464	+	04 742	+	2 525
Cash and Pooled Cash Investments	\$	27,464 -	\$	84,743 -	\$	2,525 -
Taxes Receivable, net		-		_		362
Other Receivables, net		71,065		47,720		92
Due From Other Governments		-		144		-
Inventories		6,517		-		-
Prepaids, Advances, and Deferred Charges		5,175				4
Total Current Assets		110,221		132,607		2,983
Noncurrent Assets:						
Restricted Cash and Pooled Cash		-		54,684		-
Restricted Investments		9,891		289,446		-
Restricted Receivables		31,143		4,796		-
Investments		124,970		602 220		- 222
Other Long-Term Assets Depreciable Capital Assets and Infrastructure, net		10,395 291,864		682,329 56		322 144,798
Land and Nondepreciable Infrastructure		94,624		-		18,176
Total Noncurrent Assets		562,887	1	,031,311		163,296
		,		,		,
TOTAL ASSETS		673,108	1	,163,918		166,279
LIABILITIES: Current Liabilities: Accounts Payable and Accrued Liabilities Due To Other Governments Deferred Revenue		47,680 - -		10,091 821 298		- - -
Compensated Absences Payable		8,628		-		-
Claims and Judgments Payable		-		-		-
Notes, Bonds, COP's Payable Other Current Liabilities		4,350 -		33,440 123,192		-
Total Current Liabilities		60,658		167,842		-
Noncurrent Liabilities:						
Deposits Held In Custody For Others Claims and Judgments Payable		-		-		-
Capital Lease Payable		-		-		-
Notes, Bonds, COP's Payable Other Long-Term Liabilities		295,690 895		623,169 9,821		-
Total Noncurrent Liabilities		296,585		632,990		-
TOTAL LIABILITIES		357,243		800,832		-
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt Restricted for:		96,339		56		162,974
Emergencies Permanent Funds and Endowments:		-		-		29
Expendable		-		-		-
Nonexpendable Court Awards and Other Purposes Unrestricted		31,143 188,383		- 289,208 73,822		- 491 2,785
			<u>.</u>	•	_	
TOTAL NET ASSETS	\$	315,865	\$	363,086	\$	166,279

FOUNDATION FO	COLORADO STATE UNIVERSITY FOUNDATION		COLORADO UNIVERSITY SCHOOL OF OF NORTHERN MINES COLORADO FOUNDATION FOUNDATION		IORTHERN LORADO		VER DRADO	TOTAL
\$ 9,066 \$	506 - -	\$	328	\$	25 -	\$	625 20,214	\$ 125,282 20,214 362
80,427	30,673		10,886		2,805		195	243,863
-	-		-		-		-	144 6,517
-	552		-		-		-	5,731
89,493	31,731		11,214		2,830	2	1,034	402,113
-	-		-		-		-	54,684
- -	<u>-</u>		_		-		-	299,337 35,939
539,056	136,865		118,037		79,448		-	998,376
1,733 16,269	1,034 292		286 1,714		49 324		- 14	696,148 455,331
46,117	-		-		-		-	158,917
603,175	138,191		120,037		79,821		14	2,698,732
692,668	169,922		131,251		82,651	2	1,048	3,100,845
11,088	100		414		525		456	70,354 821
1,923	753		-		-		643	3,617
-	-		-		-		-	8,628
- -	-		-		-		6,369 619	6,369 38,409
	-		-		-		-	123,192
13,011	853		414		525		8,087	251,390
58,650 -	11,293		8,054		1,384		- 2,428	79,381 2,428
6,580	-		-		-		-	6,580
69,247 34,418	1,038		- 9,304		- 114		-	988,106 55,590
168,895	12,331		17,358		1,498		2,428	1,132,085
101.006	12.104		17 772		2.022		0.515	1 202 475
181,906	13,184		17,772		2,023	1	.0,515	1,383,475
15,972	292		1,714		324		14	277,685
-	-		-		-		-	29
322,903	85,821		26,000		29,495		_	464,219
171,887	60,059		75,730		45,299		-	352,975
- -	10,566		10,035		5,510	1	.0,519	331,361 291,101
\$ 510,762 \$	156,738	\$	113,479	\$	80,628	\$ 1	.0,533	\$ 1,717,370

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	OF COLORADO AND POWER HOSPITAL DEVELOPMENT	
OPERATING REVENUES:			
Fees	\$ -	\$ 25,466	\$ -
Sales of Goods and Services Investment Income (Loss)	403,922	- 16,592	-
Rental Income		10,392	637
Gifts and Donations	_	_	-
Federal Grants and Contracts	-	3,146	-
Other	17,141	94	-
TOTAL OPERATING REVENUES	421,063	45,298	637
OPERATING EXPENSES:			
Salaries and Fringe Benefits	178,675	936	-
Operating and Travel	114,592	4,639	62
Cost of Goods Sold	75,576	-	-
Depreciation and Amortization	29,442	7	4,180
Debt Service	-	32,201	-
Foundation Program Distributions		-	-
TOTAL OPERATING EXPENSES	398,285	37,783	4,242
OPERATING INCOME (LOSS)	22,778	7,515	(3,605)
NONOPERATING REVENUES AND (EXPENSES): Taxes	_	_	262
Investment Income	6,455	-	20
Gain/(Loss) on Sale of Capital Assets	(87)	-	-
Debt Service	(12,359)	-	-
Other Expenses	(509)	-	(1,600)
Other Revenues		-	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(6,500)	-	(1,318)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	16,278	7,515	(4,923)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	3,343	19,093	
TOTAL CONTRIBUTIONS AND TRANSFERS	3,343	19,093	-
CHANGE IN NET ASSETS	19,621	26,608	(4,923)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	296,244	336,478	171,202
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 315,865	\$ 363,086	\$ 166,279
	. ,		

CC	IIVERSITY OF DLORADO JNDATION	UN	OLORADO STATE IIVERSITY JNDATION	SC	DLORADO CHOOL OF MINES JNDATION	OF C	NIVERSITY NORTHERN OLORADO UNDATION	COVER DLORADO	TOTAL
\$	- - -	\$	- - -	\$	- - -	\$	756 - -	\$ 29,210 - -	\$ 55,432 403,922 16,592
	85,084 -		46,732 -		- 11,517 -		5,282 -	- - -	637 148,615 3,146
	1,105 86,189		261 46,993		226 11,743		771 6,809	29,210	19,598 647,942
	00,103		70,773		11,/43		0,003	23,210	077,342
	- 20,250 -		- 1,751 -		- 2,590 -		- 1,542 -	- 31,780 -	179,611 177,206 75,576
	-		-		-			9	33,638 32,201
	80,485 100,735		24,044 25,795		9,828 12,418		6,336 7,878	31,789	120,693 618,925
	(14,546)		21,198		(675)		(1,069)	(2,579)	29,017
	- 16,115 -		- 5,918 -		- 4,502 -		- (2,641) -	- 104 -	262 30,473 (87)
	- - -		- - -		- - -		- - -	- - 11,634	(12,359) (2,109) 11,634
	16,115		5,918		4,502		(2,641)	11,738	27,814
	1,569		27,116		3,827		(3,710)	9,159	56,831
	-		-		-		-	-	22,436
	-		-		-		-	-	22,436
	1,569		27,116		3,827		(3,710)	9,159	79,267
	509,193		129,622		109,652		84,338	1,374	1,638,103
\$	510,762	\$	156,738	\$	113,479	\$	80,628	\$ 10,533	\$ 1,717,370

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2004

	Statement of Revenues, Expenses, and Changes in Net Assets Totals	Statement of Activities Treatment	Statement of Activities Amounts	
OPERATING REVENUES:				
Fees	\$ 55,432	Charges for Services	\$ 479,591	
Sales of Goods and Services	403,922 16,592	Charges for Services Unrestricted Investment Earning	16 502	
Investment Income (Loss) Rental Income	16,592	Charges for Services	16,592	
Gifts and Donations	148,615	Operating Grants & Contributions	170,853	
Federal Grants and Contracts	3,146	Operating Grants & Contributions	,	
Other	19,598	Charges for Services		
TOTAL OPERATING REVENUES	647,942			
OPERATING EXPENSES:				
Salaries and Fringe Benefits	179,611	Expenses	633,481	
Operating and Travel	177,206	Expenses		
Cost of Goods Sold	75,576	Expenses		
Depreciation and Amortization Debt Service	33,638 32,201	Expenses Expenses		
Foundation Program Distributions	120,693	Expenses		
TOTAL OPERATING EXPENSES	618,925			
OPERATING INCOME (LOSS)	29,017			
NONOPERATING REVENUES AND (EXPENSES):				
Taxes	262	Sales & Use Taxes	262	
Investment Income	30,473	Unrestricted Investment Earning	18,848	
	•	Operating Grants & Contributions	11,625	
Gain/(Loss) on Sale of Capital Assets	(87)	Expenses		
Debt Service	(12,359)	Expenses		
Other Expenses	(2,109)	Expenses Chata	11.624	
Other Revenues	11,634	Payment from State	11,634	
TOTAL NONOPERATING REVENUES (EXPENSES)	27,814			
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	56,831			
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions	19,093	Operating Grants & Contributions		
Capital Contributions	3,343	Capital Grants & Contributions	3,343	
TOTAL CONTRIBUTIONS AND TRANSFERS	22,436			
CHANGE IN NET ASSETS	79,267		79,267	
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	1,638,103		1,638,103	
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 1,717,370		\$ 1,717,370	

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles. In Fiscal Year 2003-04 the state implemented GASB Statement No. 39 — <u>Determining Whether Certain Organizations are Component Units</u>. The implementation resulted in the discrete presentation of the four higher education foundations listed in Note 2.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Assets* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year (see additional discussion in Note 3).

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the state, its departments, agencies, and state funded institutions of higher education that make up the state's legal entity. The state's reporting entity also includes those component units, which are legally separate entities, for which the state's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The state is financially accountable for those entities for which the state appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial

benefit or burden relationship with the state. For those entities that the state does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the state and the state can access those resources.

The following entities are component units that are discretely presented in the basic financial statements:

University of Colorado Hospital Authority
Colorado Water Resources and Power
Development Authority
Denver Metropolitan Major League Baseball
Stadium District
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
CoverColorado

With the exception of the University of Colorado Hospital Authority and the four foundations, the majority of each governing board for these entities is appointed by the Governor and confirmed by the Senate. The Board of Regents of the University of Colorado appoints the board of the University of Colorado Hospital Authority.

The University of Colorado Hospital Authority and CoverColorado are included because they present a financial burden on the state. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the state is able to impose its will upon the entity. The Water Resources and Power Development Authority is included because the state is able to impose its will upon the authority.

The four foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant.

Detailed financial information may be obtained directly from these organizations at the following addresses:

University of Colorado Hospital Authority Chief Financial Officer Mail Stop F-401, P.O. Box 6506 Aurora, Colorado 80045-0506 Colorado Water Resources and Power Development Authority 1580 Logan Street, Suite 620 Denver, Colorado 80203

Denver Metropolitan Major League Baseball Stadium District 2195 Blake Street Denver, Colorado 80205

University of Colorado Foundation 4740 Walnut Street Boulder, Colorado 80301

Colorado State University Foundation 410 University Services Center Fort Collins, Colorado 80523

Colorado School of Mines Foundation P.O. Box 4005 Golden, Colorado 80401

University of Northern Colorado Foundation 501 20th Street, Campus Box 20 Greeley, Colorado 80639

CoverColorado 425 South Cherry Street, Suite 160 Glendale, Colorado 80246

The following related organizations, for which the state appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14 as amended by GASB Statement No. 39:

Pinnacol Assurance (formerly Colorado Compensation Insurance Authority)

Colorado Educational and Cultural Facilities Authority

Colorado Health Facilities Authority

Colorado Institute of Technology

Colorado Agricultural Development Authority

Colorado Housing and Finance Authority

Colorado Sheep and Wool Authority

Colorado Beef Council Authority

Fire and Police Benefit Association

The State Board of the Great Outdoors

Colorado Trust Fund

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the state cannot impose its will, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related state higher education institutions, but they do not meet all of the GASB Statement No. 39 requirements for inclusion as component units. These

entities are included in the various note disclosures if they qualify as related parties or if omitting them would be misleading.

The state has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the state, but it is operated by the hospital district under a twenty-year contract that is renewable at the district's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The state's contract with the district states that the district is responsible for funding the operating deficits of the nursing home; however, since the state owns the nursing home, it retains ultimate financial responsibility for the home. Only the state's share of assets, liabilities, revenues and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the nursing home as well as revenues and expenses associated with the state's on-site contract administrator. The state's pass-through of U.S. Veterans Administration's funds to the district is also shown as revenue and expense of the state.

NOTE 3 – BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements focus on the government as a whole. The *Statement of Net Assets* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt.

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the financial position of the government. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. This differs from the concept of reservations of fund balance used in the governmental fund statements to show availability of assets for appropriation. When an external party or the State Constitution places a restriction on the use

of certain assets, those assets, net of related liabilities, are reported in the line item Restricted Net Assets. The nature of the asset may also result in a restriction on asset use. The line item Invested in Capital Assets, Net of Related Debt, comprises capital assets net of depreciation and reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. Internal Service Fund assets and liabilities are reported in the government-wide *Statement of Net Assets* as part of the governmental activities.

The Statement of Activities shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities (BTAs) in state government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or BTA. Direct costs are those that can be specifically identified with a program. The state allocates indirect costs based on an approved Statewide Federal Indirect Cost Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants. Taxes, with the exception of unemployment insurance tax used to support business type activities, are presented as general revenues. General revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The state reports only its Enterprise Funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Interfund transactions, such as federal and state grants moving between state agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or BTAs, the effects of interfund services provided and used have not been eliminated. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

Some of the state's component units have fiscal year ends that differ from the state's fiscal year end. However, there were no significant receivable and payable balances between the primary government and those component units at the fiscal year end reporting dates. The four foundations reported as component units have the same fiscal year end as the state. Amounts shown as due from or due to the

component units are receivable from or payable to these foundations.

Interfund balances between the primary government's fiduciary activities and the primary government are presented on the government-wide statements as external receivables and payables.

NOTE 4 – BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

The fund level statements provide additional detail about the primary government and its component units. The information is presented in four types – governmental funds, proprietary funds, fiduciary funds, and component units. With the exception of the Fiduciary Fund type, each type is presented with a major fund focus.

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. All of the state's component units are reported as major except Cover-Colorado, which is presented as the sole nonmajor component unit.

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund

Transactions related to resources obtained and used for those services traditionally provided by state government, which are not accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants that support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

Public School Fund

The Public School Fund receives transfers from the General Fund on a quarterly basis and makes distributions to local school districts on a monthly basis. The fund also receives minor transfers from other state programs that are also distributed to the local school districts.

Highway Users Tax Fund

Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver and vehicle registration fees, and other related taxes. Other financing sources include the issuance

of revenue bonds. Most of the state's infrastructure is financed by this fund.

Capital Projects Fund

Transactions related to resources obtained and used for acquisition, construction, or improvement of state owned facilities and certain equipment are accounted for in the Capital Projects Fund.

State Education Fund

The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado primary education by specified programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11.

PROPRIETARY FUND TYPE:

Higher Education

This fund reports the activities of all state supported institutions of higher education. A combination of transfers from the state General Fund, tuition, grants, and fees primarily funds this activity. This activity has significant capital debt secured solely by pledged revenues.

<u>Unemployment Insurance</u>

This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Colorado Student Obligation Bond Authority

The Colorado Student Obligation Bond Authority issues revenue bonds to originate and purchase student loans, and operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. The authority also operates an IRS Section 529 tax-advantaged College Savings Plan that is presented as a Private Purpose Trust Fund.

Lotterv

The State Lottery encompasses the various lottery and lotto games run under state statute. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the contingency reserve in the State Public School Fund. The funds are used primarily for open space purchases and recreational facilities throughout the state.

Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the state categorizes and reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report.

GOVERNMENTAL FUND TYPE:

Special Revenue Funds

Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include the Water Projects Construction Fund, the Labor Fund, the Gaming Fund, the Tobacco Litigation Settlement Fund, and a large number of smaller funds.

Debt Service Fund

This fund accounts for the accumulation of resources, principally transfers from other funds, for the payment of long-term debt principal and interest. It also accounts for the issuance of debt solely to refund debt of other funds. The primary debt serviced by this fund consists of certificates of participation and notes issued by the Department of Transportation to fund infrastructure.

Permanent Funds

This collection of funds reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the state's programs. The individual nonmajor funds included in this category are the State Lands Fund and several smaller funds. On the government-wide financial statements the net assets of these funds are presented as restricted with separate identification of the nonexpendable (principal) and expendable (earnings) amounts.

PROPRIETARY FUND TYPE:

Enterprise Funds

The state uses Enterprise Funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds include, the Wildlife Fund, the Guaranteed Student Loan Fund, the State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, and several smaller funds.

Internal Service Funds

The state uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The state's Internal Service Funds reported in supplementary information included Central Services, General Government Computer Center, Telecommunications, Capitol Complex, Highways, Public Safety, Administrative Hearings, and Debt Collection. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Assets*, and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

The resources reported in Fiduciary Fund types are not available for use in the state's programs; therefore, none of the Fiduciary Funds are included in the government-wide financial statements.

Pension Trust Funds

In the basic financial statements, the state reports in a single column, the activities related to resources being held in trust for members and beneficiaries of the Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. (Individual financial statements of these plans are presented in Note 21). Participation in the defined contribution plan is limited to select employees – primarily legislators and elected officials. Most state employees are covered by the defined benefit plan operated by the Public Employees Retirement Association (see Note 19).

Investment Trust Fund

As directed by statute, the state operates an external investment account solely for the benefit of Pinnacol Assurance, a related organization.

Private Purpose Trust Funds

Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts (including escheats activity), the College Savings Plan operated by the Colorado Student Obligation Bond Authority, and several smaller funds.

Agency Funds

Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the state's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2003.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2003.

The Denver Metropolitan Major League Baseball Stadium District uses proprietary fund accounting in preparation of its financial statements. CoverColorado uses proprietary accounting in preparing its financial statements, and applies applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for both entities is presented as of December 31, 2003.

The four foundations presented as component units all follow Financial Accounting Standards Board Statements applicable to not-for-profit entities. Financial information for all four-component units is presented as of June 30, 2003.

NOTE 5 - BASIS OF ACCOUNTING

Primary Government

The basis of accounting applied to a fund depends on both the type of fund and the financial statement on which the fund is presented.

GOVERNMENT-WIDE STATEMENTS:

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction

- Derived tax revenues are recognized when the underlying exchange transaction occurs.
- Imposed nonexchange revenues are recognized when the state has an enforceable legal claim.
- Government mandated and voluntary nonexchange revenues are recognized when all eligibility requirements are met – assets may be recognized if received before eligibility requirements are met.

FUND LEVEL FINANCIAL STATEMENTS:

Governmental Funds

All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The state defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used in the estimation of the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due by June 30.
- Net income taxes from individuals, corporations, and trusts are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate the taxpayer's current income. The revenue is accrued net of an allowance for uncollectible taxes.

Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recognized in the funds when:

- The related liability is incurred and is due and payable in full (examples include professional services, supplies, utilities, and travel),
- The matured portion of general long-term indebtedness is due and payable (or resources have been designated in the Debt Service Fund and the debt service is payable within thirty days of fiscal year end),
- The liability has matured and is normally expected to be liquidated with expendable available financial resources.

Under these recognition criteria, compensated absences, claims and judgments, special termination benefits, and environmental postremediation liabilities are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund level statements are reported as expenses/liabilities on the government-wide statements.

Proprietary and Fiduciary Funds

All transactions and balances of the proprietary and fiduciary fund types are reported on the full accrual basis of accounting as describe above for the government-wide statements.

Component Units

The University of Colorado Hospital Authority follows the provisions of the American Institute of Certified Public Accountants' <u>Audit and Accounting Guide for Health Care Organizations</u>. As a governmental entity, the hospital applies all Governmental Accounting Standards Board (GASB) statements and has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting in preparing its financial statements under which revenues are recognized when earned and expenses are recognized when incurred. The authority elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

NOTE 6 – ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET ASSETS

C. CASH AND POOLED CASH

Primary Government

For purposes of reporting cash flows, cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and warrants payable.

Component Units

The University of Colorado Hospital Authority defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments with initial maturities of three months or less, excluding amounts restricted under trust agreements.

CoverColorado considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Denver Metropolitan Major League Baseball Stadium District and the Colorado Water Resources and Power Development Authority consider highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

B. RECEIVABLES

Component Units

The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation and the Colorado State University Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation and the University of Northern Colorado Foundation recognize conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent are substantially met.

C. INVENTORY

Inventories of the various state agencies primarily comprise finished goods inventories held for resale by Correctional Industries, and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The state uses various valuation methods (FIFO, average cost, etc.) depending upon the state agency. The method used in each agency is consistent from year to year.

Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.

D. INVESTMENTS

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 15). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book vield as adjusted for amortization of investment premiums and discounts.

E. CAPITAL ASSETS

Primary Government

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide Statement of Net Assets. Donated capital assets are carried at their fair market value at the date of donation (net of accumulated depreciation). State agencies are allowed to capitalize works of art, historical treasures, and assets below

established thresholds. Agencies must capitalize all land regardless of cost and furniture and equipment when the cost of the item exceeds \$5,000. The state uses a higher threshold for buildings (\$50,000) and infrastructure (\$500,000). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

Infrastructure owned by the Colorado Department of Transportation is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded (see Note RSI-2 to the Required Supplementary Information, page 92, for more information on the modified approach). Other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

The state capitalizes interest incurred during the construction of capital assets that are reported in Enterprise Funds.

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating their capital assets.

The following table lists the range of lives that state agencies normally use in depreciating capital assets. Certain buildings are depreciated over longer lives, but they are excluded from the following table.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	5	100
Leasehold Improvements	3	40
Equipment	3	50
Software	3	23
Library Books	5	20
Collections	23.5	23.5
Infrastructure	25	50

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. Due to the ongoing relocation of its main campus, the hospital evaluates long-lived assets semi-annually for impairment. No adjustments for impairment have been recognized for the years ended June 30, 2003 or 2002. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method.

F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures are made. On the fund level financial statements, revenues related to taxes receivable that the state does not expect to collect until after the following fiscal year are deferred. However, these receivables are recognized as revenue on the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to their respective accrued balance on July 1, 1988, plus 360 additional hours. After earning the maximum accrual, each employee converts five hours of unused sick leave to one hour of annual leave. Employees are paid for one-fourth of their unused sick leave upon death or retirement.

Annual leave is earned at increasing rates based on employment longevity. In no event can a classified employee accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving state service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Assets*, all compensated absence liabilities are reported.

Component Units

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability or serious health conditions. Both PTO and EIP earnings are based on length of service and actual hours worked. The hospital records PTO expense as it is earned. Accrued EIP is based solely on amounts estimated to become payable to that portion of the employee base which will ultimately retire from the hospital.

The Colorado Water Resources and Power Development Authority recognizes unused vacation benefits as they are earned.

H. INSURANCE

The state has an agreement with Pinnacol Assurance, a related organization, to act as the third party administrator for the state's self-insured workers' compensation claims. The state reimburses Pinnacol for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The state insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 22).

I. NET ASSETS AND FUND BALANCES

In the financial statements, assets in excess of liabilities are represented in two ways based on the measurement focus used in reporting the fund.

On the government-wide Statement of Net Assets, the proprietary funds' Statement of Net Assets, and the fiduciary funds' Statement of Fiduciary Net Assets, net assets are segregated into restricted and unrestricted balances. Restrictions are limitations on how the net assets may be used. Restrictions may be placed on net assets by the external party that provided the resources to the government, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

On the *Balance Sheet – Governmental Funds*, assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally available for appropriation. However, management may also make designations of unreserved fund balance that signal management's intent that certain fund balance amounts are currently unavailable for appropriation. Designated unreserved fund balances are not legally segregated.

The following paragraphs describe the restrictions reported in the financial statements.

<u>Invested in Capital Assets Net of Related Debt</u> – This item comprises capital assets net of accumulated depreciation if applicable. It is reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

Restricted for Highway Construction and Maintenance – Article X Section 18 of the State Constitution restricts the motor fuels tax portion of the Highway Users Tax Fund. The unrestricted portion of the fund is appropriated for activities other than highway construction and maintenance.

<u>Restricted for Unemployment Insurance</u> – The entire net assets balance of the Unemployment Insurance Fund, a major Enterprise Fund, is reported as restricted because

federal regulations limit its use to paying unemployment insurance claims.

Restricted for State Education - The entire net assets balance of the State Education Fund, a major governmental fund, is restricted based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000.

Restricted for Debt Service - The net assets of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation, but also include payments on Certificates of Participation issued by the Department of Personnel & Administration. The Higher Education Institutions Enterprise Fund also reports certain balances restricted for principal and interest payments on revenuebonded debt.

Restricted for Emergencies - The State Legislature designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues (see Note 8B).

Restricted Permanent Funds and Endowments - This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State Lands Fund, and the endowment portion of the Higher Education Institutions Enterprise Fund that must be maintained in perpetuity. The restricted balances reported as expendable are the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Court Awards and Other Purposes - The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. The state received \$73.1 million and \$73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state." The Colorado Supreme Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted.

The fund balance of the General Fund is reserved as provided by statute or as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis remaining at year end is required by legislation to be transferred in the following year to the Highway Fund and the Capital Projects Fund in the ratio of two-thirds to one-third.

The following paragraphs describe the reservations reported in the fund-level financial statements.

Reserved for Encumbrances - In the General Fund, this reserve is for the portion of the current fiscal year appropriation that was encumbered for goods and services that were not received before June 30 due to extenuating circumstances. The specific appropriation related to these items is rolled-forward to the following fiscal year.

In the Special Revenue and Capital Projects Funds this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects. Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

Reserved for Noncurrent Assets - This item reserves the portion of fund balance that relates to long-term interfund receivables and other long-term assets that are not offset by deferred revenue. These assets are not currently available for appropriation.

Reserved for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is not available for appropriation because it is restricted to use only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation but also include payments on Certificates of Participation issued by the Department of Personnel & Administration.

Reserve for Statutory Purposes - The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations for expenditures, and it is only presented in full when the unreserved fund balance is positive. On a GAAP basis, General Fund assets were not adequate to meet this reserve in Fiscal Year 2003-04. This resulted in the \$206.5 million reserve shown on the Balance Sheet -Governmental Funds. The state complied with the reserve requirement on the budget basis by deferring Medicaid and payroll expenditures to the following fiscal year.

Reserved for Risk Management – The Reserve for Risk Management represents the fund equity of the state Risk Management Funds. Because there is no plan to fund the actuarial liabilities of the Risk Management Fund, it is accounted for in the General Fund as required by Governmental Accounting Standards Board Statement No. 10.

Reserved for Emergencies – The state Legislature designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues. See Note 8B for more information on the current year amount of the emergency reserve.

<u>Reserved for Funds Reported as Restricted</u> – This reserve is the portion of fund balance that is restricted by the State Constitution or external parties. The balances are reserved because they are restricted; and therefore, are not available for appropriation for general governmental purposes.

<u>Unreserved - Designated for Unrealized Investment Gains</u> In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance tax used to support business type activities, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures.
- Sales of products,
- Rents and royalties,
- Donations and contributions,
- Intergovernmental revenues (including capital and operating grants).

B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide Statement of Activities. In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2003-04. The Plan uses cost from Fiscal Year 2001-02 that will be incorporated in state agency indirect cost rates to be charged to federal grants in Fiscal Year 2005-06. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide Statement of Net Assets. However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the Statement of Activities.

C. OPERATING REVENUES AND EXPENSES

Primary Government

The state reports four major Enterprise Funds and several nonmajor Enterprise Funds. Because these enterprises engage in a wide variety of activities, the state's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Assets* and cash from operations on the *Statement of Cash Flows*. However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds for which the core business activity is lending are reported as operating revenues and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets but are reported as investing activities on the Statement of Cash Flows.
- Rental income of proprietary funds for which the core business activity is real estate services is reported as operating revenue on the *Statement of Revenues*, *Expenses*, and Changes in Net Assets but is reported as a capital and related financing activities on the Statement of Cash Flows.
- Some fines, donations, and certain grants and contracts are reported as nonoperating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets but are reported as cash from operations on the Statement of Cash Flows.

The state higher education institutions have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service or related support services to an individual or entity separate from the institution.

Component Units

The Denver Metropolitan Major League Baseball Stadium District defines operating revenues as those revenues for which cash flows are reported as operating activities. In general these revenues are derived from its principal ongoing operations – leasing the ballpark and related activities. Nonoperating revenues include revenue from other than exchange or exchange-like transactions, such as, taxes, interest, and other income.

NOTES 8 and 9 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

NOTE 8 – LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general funded expenditures. If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 82.

Within the limitations discussed below, the State Controller may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program. The Department of Human Services is allowed \$1 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to \$1 million in total for the remainder of the Executive Branch. An additional \$1 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required to restrict the subsequent year appropriation whether or not he allows an over-expenditure. The restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, or reduce their subsequent year's expenditures.

Total overexpenditures at June 30, 2004, were \$9,585,955, and they are described below.

Medicaid Overexpenditures:

- Medical Services Premiums. The Department of Health Care Policy and Financing overexpended this line item by \$8,437,980 of general funds. department overexpended the line when it paid \$14.6 million to settle a lawsuit with a major managed care provider. On the Schedule of Revenues, Expenditures and Change in General Fund Surplus on page 89, this line item is part of the \$66.3 million reversion for the department. The reversion is the result of a decision to restrict rather than reduce the department's budget related to additional temporary federal participation in the Medicaid program; federal participation increased from 50 percent to 52.95 percent. Unspent restrictions are reported as reversions on the schedule. In total, the legislature restricted \$68.7 million of spending authority for the additional Medicaid participation. If the department's budget had been reduced rather than restricted for this amount, they would have reported an overexpenditure of \$2.4 million.
- Mental Health Community Programs Medicaid Mental Health Fee for Service Payments The Department of Health Care Policy and Financing overexpended this line item by \$216,459 of general funds. The line item funds the Department of Human Services Administered Medicaid Programs, and the overexpenditure occurred because the cost of care for clients of the program exceeded the estimate upon which the budget for the line item was established.
- Mental Health Capitation The Department of Health Care Policy and Financing overexpended this line item by \$453,049 of general funds. The line item funds the Department of Human Services Administered Medicaid Programs, and the overexpenditure occurred because the actual client services provided exceeded the estimate upon which the budget was established.
- Residential Treatment for Youth HB99-1116 The Department of Health Care Policy and Financing overexpended this line item by \$12,190 of cash funds

for which the supporting revenues are tobacco settlement proceeds that are exempt from TABOR limits. The line item funds the Department of Human Services Administered Medicaid Programs, and the overexpenditure occurred because the actual client services provided exceeded the estimate upon which the budget was established.

Department of Human Services Overexpenditures Other Than Medicaid:

 Office of Operations – Utilities – The Department of Human Services overexpended this budget line item by \$349,627 of general funds. The overexpenditure occurred because the actual price and usage of energy exceeded the estimate upon which the budget for this line item was appropriated.

Statewide Overexpenditures Subject to the \$1 Million Limit:

- Office of Information Technology Project Oversight for the HCPF HIPAA Implementation The Governor's Office overexpended this line item by \$61,590 of cash funds for which the supporting revenues are exempt from TABOR limits. The appropriation for this amount was made in Fiscal Year 2002-03, and that appropriation lapsed at the end of that fiscal year. The State Controller established spending authority in Fiscal Year 2003-04 based on the authority provided in CRS-24-75-111. That authority requires the affected department to obtain a supplemental appropriation; however, the supplemental appropriation legislation did not include this item.
- Medicaid Management Information System Contract The Department of Health Care Policy and Financing overexpended this line item by \$55,060 of general funds. The department overexpended the line item because a complicated line item funding mix resulted in less cash and federal revenues than expected, and therefore, an unexpected amount of expenditures were applied to the general funded appropriation.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the State Controller's Office.

B. TAX, SPENDING, AND DEBT LIMITATIONS

Certain state revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. The constitution also requires voter approval for any new tax, tax rate increase, or new debt. These

limitations apply to the state as a whole, not to individual funds, departments, or agencies of the state.

Annual revenues that exceed the constitutional limitation must be refunded unless voters approve otherwise. The state did not exceed the TABOR limit in Fiscal Years 2003-04, 2002-03, or 2001-02. The state would have exceeded the TABOR limit in Fiscal Year 2003-04 by \$374.7 million if not for the growth dividend. The growth dividend is the result of legislation passed in the 2002 legislative session, and it allows the state to increase the TABOR limit by up to 6.0 percentage points over the nine years following the passage of the legislation. The increase allows the state to recoup amounts refunded to taxpayers during the 1990's that would not have been refunded if the intercensus population estimates accurately matched the 2000 population census. Before Fiscal Year 2001-02, the state exceeded the revenue growth limitation in each year since Fiscal Year 1996-97.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2003-04 this amount was \$249,959,719. At June 30, 2004, the financial net assets of the following funds were applied to the reserve:

- Tobacco Litigation Settlement Trust Fund (a nonmajor Special Revenue Fund) – \$26,231,928
- Controlled Maintenance Trust Fund (a nonmajor Other Special Revenue Fund) –\$258,368
- Colorado River Recovery Program Loan Fund (part of the Water Projects Fund, a nonmajor Special Revenue Fund) – \$11,567,428
- Fish and Wildlife Resources Fund (part of the Water Projects Fund, a nonmajor Special Revenue Fund) – \$4,742,170
- Perpetual Base Account of the Severance Tax Trust Fund (a nonmajor Other Special Revenue Fund) – \$118,107,841
- Species Conservation Trust Fund (a nonmajor Other Special Revenue Fund) – \$11,293,740
- Wildlife Cash Fund (a nonmajor Enterprise Fund) \$39,276,958

The remaining amount of \$38,481,284 needed to meet the emergency reserve requirement comes from the \$146.4 million of Capital Assets Net of Related Debt shown for the Wildlife Fund on the *Combining Statement of Net Assets — Other Enterprise Funds*. Legislation also designated state capital assets up to \$87.4 million to be used as part of the emergency reserve if the previously listed funds were inadequate to meet the reserve requirement. In the event of an emergency that exceeded the financial assets in the reserve, the designated capital assets would have to be liquidated to meet the constitutional requirement.

NOTE 9 – UNRESTRICTED NET ASSETS DEFICITS

The GAAP requirement to reduce unrestricted net assets for amounts invested in capital assets (net of related debt) results in some funds showing unrestricted net asset deficits. These deficits do not represent a legal infraction and are to be expected of funds that have capital asset intensive operations. All three of the following net asset deficits appear on combining statements presented in supplementary information in the Comprehensive Annual Financial Report.

The Telecommunications Fund, an Internal Service Fund, shows a deficit unrestricted net assets of \$1,295,983 on the *Combining Statement of Net Assets – Internal Service Funds.* This deficit occurred because the fund's assets are

primarily invested in capital assets and financial liabilities exceed financial assets.

The Capital Complex Fund, an Internal Service Fund, shows a deficit unrestricted net assets of \$119,988 on the *Combining Statement of Net Assets – Internal Service Funds*. This deficit occurred because the fund's assets are primarily invested in capital assets and inventories and financial liabilities exceed financial assets.

The State Fair Authority, a nonmajor Enterprise Fund, shows a deficit unrestricted net assets of \$583,652 on the *Combining Statement of Net Assets – Enterprise Funds*. This deficit occurred because the fund's assets are primarily invested in capital assets and financial liabilities exceed financial assets.

NOTES 10 through 18 – DETAILS OF ASSET ITEMS

NOTE 10 - CASH AND POOLED CASH

Primary Government

The State Treasury acts as a bank for all state agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Fund if the General Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer's Report.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The state's cash management policy is to invest all major revenues as soon as the moneys are available within the banking system. Electronic transfers are used by the state to enhance availability of funds for investment purposes.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal insurance.

The state maintains accounts for various purposes at locations throughout the state. Cash balances in these accounts that are not required for immediate use are invested in certificates of deposit by the fund custodian or moved to the State Treasurer's pooled cash investments.

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes \$3,378.9 million of claims of the state's funds on monies in the treasurer's pooled cash. At June 30, 2004, the treasurer had invested \$3,308.4 million of the pool with the balance of \$70.5 million held in demand deposits and certificates of deposit. At June 30, 2004, the state had cash balances in all funds with a carrying value of \$878.4 million; this amount includes the \$70.5 million held as cash in the treasurer's pool. The state categorizes its cash into three categories as to its risk:

- Category 1 is federally insured deposits, or deposits fully collateralized with securities held by the state or its agent in the state's name.
- Category 2 is deposits uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the state's name.
- Category 3 is uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the state's name.

The bank balances of these funds are categorized by risk as follows:

Risk Category	Bank Balance June 30
1 2 3	\$ 142,071,976 755,878,764 875,087
Total	\$ 898,825,827

Component Units

The University of Colorado Hospital Authority had cash deposits of \$27.5 million and \$13.1 million at June 30, 2003 and 2002, respectively. These deposits were either insured or collateralize with securities held by the hospital or by its agent in the hospital's name.

At December 31, 2003 and 2002, the Colorado Water Resources and Power Development Authority had federally insured deposits with a bank balance of \$568,339 and \$42,013, and carrying amounts of \$358,914 and \$37,907, respectively. It also reported as cash and cash equivalents \$62.0 million held by the State Treasurer in a Treasurer's Agency Fund and \$77.0 million held in a local government investment pool. These amounts are not subject to custodial, insurance, or collateralization risk classification.

At December 31, 2003 the Denver Metropolitan Major League Baseball Stadium District had federally insured cash deposits with a bank balance of \$42,253. They also had \$2,479,744 in bank money market funds that are carried at cost, which approximates market value. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk.

NOTE 11 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows* – *All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Assets*) and be reported outside of the Cash From Operation section of the *Statement of Cash Flows*. The following general types of transaction are reported as noncash:

Capital Assets Funded By the Capital Projects Fund –
Most capital construction projects funded by general
revenues are accounted for in the Capital Projects
Fund. Several of the state's Enterprise and Internal
Service Funds receive capital assets funded and

accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows*. Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows*.

- Donation of Capital Assets Capital assets received as donations are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows*. Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Assets*; therefore, they are reported as noncash.
- Unrealized Gain/Loss on Investments Nearly all proprietary funds recorded unrealized gains on the investments underlying the Treasurer's pooled cash in which they participate. The unrealized gains on the Treasurer's pool are shown as increases in cash balances. The unrealized gains/losses on investments individually held are shown as increases/decreases in investment balances, and therefore, are reported as noncash transactions. Note 15 shows the combined effect of these two sources of unrealized gains/losses.
- Loss on Disposal of Capital Assets When the cash received at disposal of a capital asset is less than the carrying value of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the *Statement of Net Assets*, but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjusts debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the Statement of Net Assets. Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability balances reported on the Statement of Net Assets. Therefore, these transactions are reported as noncash.

NOTE 12 – RECEIVABLES

Primary Government

The taxes receivable of \$831.3 million shown on the government-wide *Statement of Net Assets* comprises:

- \$776.9 million primarily of self-assessed income, estate, and sales taxes recorded in the General Fund, of which, \$87.6 million is expected to be collected after one year and is reported as an Other Long-Term Asset; this balance is offset by deferred revenue on the Balance Sheet Governmental Funds.
- \$92.5 million of insurance premium tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund,
- \$49.3 million recorded in nonmajor Special Revenue Funds, of which approximately \$10.6 million is from gaming taxes, \$21.0 million is insurance premium taxes, and the balance is primarily from severance taxes and employment taxes.

In addition, \$54.1 million of taxes receivable and \$275.3 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government, and both were reported as restricted receivables.

The other receivables of \$323.4 million shown on the government-wide *Statement of Net Assets* are net of \$89.2 million in allowance for doubtful accounts and primarily comprise the following:

- \$151.7 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund,
- \$56.9 million of receivables recorded in the General Fund of which \$17.4 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of \$28.9 million related primarily to certification of providers expenditures as match for Medicaid grant funds, rebates from drug companies, and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded \$14.4 million of patient receivables.
- \$81.3 million of receivables recorded by Other Governmental Funds including \$44.4 million of tobacco settlement revenues expected within the following year and \$11.7 million recorded by the Water Projects Fund.

In addition, \$882.2 million of student loan receivables of the Colorado Student Obligation Bond Authority, a major Enterprise Fund, are reported as restricted receivables that would otherwise be reported as student and other receivables. These receivables are restricted to paying the debt service of bonds issued by the Colorado Student Obligation Bond Authority.

Component Units

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (18 percent), Medicaid (9 percent), managed care including Blue Cross (40 percent), other commercial

insurance (7 percent), and self-pay and medically indigent (23 percent). However, the authority's management does not believe there are credit risks associated with these payers other than the self-pay and medically indigent category. Further, the authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2002-03 and 2001-02 were approximately \$151.7 million and \$123.7 million, respectively. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, thirdparty payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the years ended June 30, 2003 and 2002, increased approximately \$22.4 million and \$9.1 million, respectively, due to final settlements.

The hospital reports pledges at their net present value. As a result, two pledges received during 2001 totaling \$40 million were discounted at rates ranging from 4.25 percent to 5.75 percent. After the discounts were applied at June 30, 2003, the hospital reported receivables restricted by donors in the amount of \$31.1 million. During Fiscal Year 2002-03, the hospital received the final payment of \$9.0 million on a \$25.0 million pledge made by the Anschutz Foundation in 2000.

The Colorado Water Resources and Power Development Authority had loans receivable of \$720.1 million and \$670.9 million at December 31, 2003 and 2002, respectively. During 2003, the authority made new loans of \$88.1 million and canceled or received repayments for existing loans of \$38.9 million.

The University of Colorado Foundation previously recorded \$55 million of contributions to be received over a five-year period from a single donor. To date, the foundation has collected \$26 million of this pledge; the remaining \$29 million represents 33 percent of contributions receivable at June 30, 2003. The foundation also has a pledge from another single donor that represents 7 percent of contributions receivable at June 30, 2003. Contributions receivable are reported as part of Other Receivables in the Statement of Net Assets - Component Units. At June 30, 2003, the Other Receivables amount shown for the University of Colorado Foundation includes \$88.8 million of unconditional promises to give which were offset by a \$12.0 million allowance for uncollectible contributions and a \$5.2 million unamortized pledge discount using discount rates ranging from .89 percent to 5.58 percent.

At June 30, 2003, the Other Receivables amount shown for the Colorado State University Foundation includes contributions receivable of \$33.1 million which were offset by \$2.5 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate.

At June 30, 2003, the Other Receivables amount shown for the Colorado School of Mines Foundation includes contributions receivable of \$6.3 million, which were offset by \$583,703 million of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 80% of the foundation's contributions receivable at June 30, 2003, consists of pledges from five donors.

NOTE 13 – INVENTORY

Inventories of \$49.8 million shown on the government-wide *Statement of Net Assets* at June 30, 2004, primarily comprise:

- \$7.8 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- \$16.2 million of resale inventories recorded primarily by Higher Education Institutions, a major Enterprise Fund,
- \$19.9 million of consumable supplies inventories of which \$5.9 million was recorded by the Highway User's Tax Fund, a major Special Revenue Fund, \$7.5 million by the Higher Education Institutions, a major Enterprise Fund, and \$4.7 million by the General Fund.

NOTE 14 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances and Deferred Charges of \$51.6 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- \$11.6 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- \$6.2 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund, and
- \$3.6 million of prize expense paid by the Colorado Lottery, a major Enterprise Fund, to a multistate organization related to participation in the Powerball lottery game.

NOTE 15 – INVESTMENTS

Primary Government

The state holds investments both for its own benefit and as an agent for certain entities as provided by law. The state does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of the state's investments are determined from quoted market prices except for money market investments that are reported at amortized cost which approximates market.

The following schedule reconciles deposits and investments to the financial statements for the primary government including fiduciary funds:

(Amounts in Thousands)

	Carrying
Footnote Amounts	Amount
Deposits (Note 10)	\$ 878,375
Investments	7,978,931
Total	\$ 8,857,306
Financial Statement Amounts	
Net Cash and Pooled Cash	\$ 2,560,404
Add: Warrants Payable Included in Cash	143,533
Total Cash and Pooled Cash	2,703,937
Add: Restricted Cash	1,481,847
Add: Restricted Investments	652,180
Add: Investments	4,019,342
Total	\$ 8,857,306

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. Realized gains from the sale of investments underlying the Treasurer's pooled cash were \$3,259,958 for Fiscal Year 2003-04. Realized gains on investments held in the General Fund were \$4,984,285 for Fiscal Year 2003-04. Excluding the Individual Investment Trust Fund, the Deferred Compensation Plan, and the Defined Contribution Plan, the state recognized \$6,630,242 of net realized gains from the sale of investments of other funds during Fiscal Year 2003-04.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2004 and 2003, the treasurer had \$51.3 million and \$53.6 million at fair value, respectively, of GOCO's funds on deposit and invested. The treasurer also maintains an individual investment account (reported as an Investment Trust Fund) for Pinnacol Assurance, a related organization. At June 30, 2004, and 2003, the treasurer had \$1,510.0 million and \$1,405.7 million at fair value, respectively, of Pinnacol's funds on deposit and invested.

Colorado Revised Statutes 24-75-601.1 authorizes the type of investments that the state may hold. In general, the statute requires securities that are of the highest quality as determined by national rating agencies, are guaranteed by another state or the federal government, or are a registered money market fund whose policies meet criteria set forth in the statute. The state may enter securities lending agreements that meet certain collateralization and other requirements, and it may invest in securities issued by Colorado public entities including authorities established by the state.

The state categorizes the custodial risks of its investments into the following categories:

- Category A is those investments that are insured or registered securities held by the state or its agent in the state's name.
- Category B is those investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
- Category C is those investments that are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the state's name.

Open-end mutual funds and certain other investments are not categorized as to custodial risk because ownership is not evidenced by a security. The following table lists the state's investments by type and risk category:

(Amounts in Thousands)

	F	Total			
Type of Investment*	А	В	С	Fair Value	
U.S. Government Securities Bank Acceptances	\$ 2,212,433 -	\$ 5,372 -	\$ 444 -	\$ 2,218,249 -	
Commercial Paper	794,584	1,955	9,464	806,003	
Corporate Bonds	1,153,999	35,144	1,057	1,190,200	
Corporate Securities	11,957	9,817	1,733	23,507	
Repurchase Agreements	41,397	613	-	42,010	
Asset Backed Securities	445,234	-	-	445,234	
Mortgages	639,079	-	-	639,079	
Total	\$ 5,298,683	\$ 52,901	\$ 12,698	5,364,282	
Investments not Subject to Ca	tegorization:				
Mutual Funds				2,061,418	
Guaranteed Investment Agre	ements			511,263	
Money Markets Other				25,476 16,492	
Total Investments				\$ 7,978,931	

^{*}Note: Amounts include the treasurer's pool and individual investment accounts.

The following schedule shows the state's net unrealized gains and (losses) by fund category.

(Amounts in Thousands)

	Fiscal Year 2003-04	Fiscal Year 2002-03
Governmental Activities:		
Major Funds		
General Fund	\$ (26,385)	\$ 3,960
Highway Users Tax	(12,097)	2,757
Capital Projects	157	(68)
State Education	(12,121)	13,410
NonMajor Funds:		
State Lands	(22,524)	8,720
Other Permanent Trusts	(186)	65
Water Projects	(2,306)	699
Labor	(124)	51
Gaming	(3,166)	1,125
Tobacco Settlement (Spec Rev)	(1,379)	(342)
Other Special Revenue	(7,915)	3,180
Highways (Internal Service)	(76)	34
Business Type Activities:		
Major Funds		
Higher Education Institutions	21,156	12,485
Student Obligation Bond Authorit	2,266	300
Lottery	(861)	399
NonMajor Funds:		
Wildlife	(2,142)	765
Guaranteed Student Loan	(725)	(374)
State Fair Authority	(27)	(1)
Correctional Industries	(166)	84
State Nursing Homes	(61)	45
Prison Canteens	26	1
Other Enterprise Activities	(6)	5
Fiduciary:		
Pension/Benefits Trust	(52)	(576)
Investment Trust	(72,514)	77,300
Private Purpose Trust	120,667	70,679
	\$ (20,561)	\$ 194,703

Component Units

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which governmental units may invest. The risk criteria are defined the same as for the primary government.

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by a trustee under a bond indenture or insurance agreement. All of the authority's investments that are subject to categorization at June 30, 2003, are classified as category 'A'.

The hospital uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Credit loss from counter party nonperformance is not anticipated. At June 30, 2003, the hospital was party to a swap agreement having notional amount of \$72 million. The fair value of the swap was (\$855,000) and (\$369,000), respectively at June 30, 2003, and 2002, based on the gross unrealized market gain/loss. Gains and losses are reported in income, as the agreements do not qualify for hedge accounting. The interest rate swap is scheduled to terminate in 2006.

The Colorado Water Resources and Power Development Authority investments are reported at fair value. The authority is allowed to invest in instruments authorized for Colorado governmental units, which are similar to the investments authorized for the State Treasurer's portfolio disclosed above. The authority owns all of the securities shown in risk category "C" below. Those investments are purchased and held in a trustee's Federal Reserve account

pursuant to bond indentures. The trustee is considered to be the purchaser as well as the custodian of these investments.

CoverColorado investments are reported at fair value in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

The following table lists by type and risk category the investments of component units that are not foundations:

(Amounts in Thousands)

		Risk Category						Total	
Type of Investment		А	В		С		Fair Value		
U.S. Government Securities	\$	93,867	\$	-	\$	267,334	\$	361,201	
Repurchase Agreements		-		-		-		-	
Corporate Bonds		31,157		-		-		31,157	
Equity Securities		35,645		-		-		35,645	
Subtotal	\$	160,669	\$	-	\$	267,334	=	428,003	
Investments not Subject to Cate	ego	rization:							
Guaranteed Investment Contr	act	:S						8,230	
Other								8,287	
Total							\$	444,520	

The four Higher Education Institution foundations reported as component units on the *Statement of Net Assets – Component Units* do not classify investments according to risk, as is required of governmental entities, because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2003, and June 30, 2002, respectively, the University of Colorado Foundation held \$207.0 million and \$200.0 million of domestic equity securities, \$72.5 million and \$70.2 million of international equity securities, \$72.0 million and \$89.4 million of fixed income securities, and \$164.8 million and \$142.5 million of alternative investments including real estate, private equities, hedge funds, and oil and gas assets.

At June 30, 2003, the Colorado State University Foundation held individual small and large capitalization equity securities totaling \$19.8 million, fixed income mutual funds of \$47.9 million, alternative investment mutual funds of \$30.8 million, and various equity mutual funds of \$34.7 million.

At June 30, 2003, the Colorado School of Mines Foundation (CSMF) held bond and bond mutual funds totaling \$31.2 million, stock and stock mutual funds totaling \$55.0 million, and investments in limited partnerships and limited liability companies totaling \$20.6 million. Of the foundation's \$118.0 million of investments, \$11.3 million, or 9.6 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at \$7.0 million and a long-term

trust valued at \$1.4 million which are reported as Investments on the *Statement of Net Assets – Component Units*

At June 30, 2003, the University of Northern Colorado Foundation held \$26.2 million of fixed income securities (including \$18.2 million of corporate notes), \$43.6 million of equity securities, and \$4.7 million of other investments. These amounts include \$2.9 million of assets held in a separate trust for the benefit of the foundation. The investment amount shown on the *Statement of Net Assets – Component Units* includes the \$5.0 million valuation of a donated building held for sale. The carrying value of the building was reduced \$5.8 million during Fiscal Year 2002-03, and the effect of the write down was offset against Investment Income on the *Statement of Revenue, Expenses, and Changes in Net Assets – Component Units*.

NOTE 16 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all state agencies with the exception of the University of Colorado. The Treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. During Fiscal Year 2003-04, the State Treasurer loaned U. S. government, federal agencies' securities, mortgage pools, and collateralize mortgage obligation securities, held for Pinnacol Assurance, a related organization, to Morgan Stanley. The agreement with Morgan Stanley requires that all securities must be collateralized. The State Treasurer also loaned U.S. government and federal agencies securities held for the Colorado Treasury Pool, the Public School Permanent Fund, the Prepaid Tuition Fund (a portion of the Colorado Student Obligation Bond Authority), the State Education Fund, and the Controlled Maintenance Trust Fund (an Other Special Revenue Fund) to Deutsche Bank. The agreement with Deutsche Bank terminated on December 31, 2003. Thereafter, these securities were transferred to and covered under the agreement with Morgan Stanley. During Fiscal Year 2003-04, Morgan Stanley and Deutsche Bank paid the treasurer an agreed upon fee for use of these securities. Collateral is deposited and held in a custodial bank.

Currently, collateral held by the custodial bank includes Arated or better domestic corporate securities. Corporate securities held as collateral must equal at least 105 percent of the market value of the loaned securities. The State Treasurer does not have the authority to pledge or sell collateral securities without borrower default nor does the Treasurer accept cash as collateral.

Morgan Stanley, acting as principal, agent, and fiduciary, is directly responsible for safeguarding the assets, and it carries a financial institution bond that is substantially more than the amount required by the New York Stock Exchange. On June 30, 2004, the market value of securities on loan to Morgan Stanley was \$1,840,051,251. The market value of the collateral securities pledged was \$1,974,235,145.

NOTE 17 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2003-04 Higher Education Institutions, a major Enterprise Fund, capitalized \$8.7 million of interest incurred during the construction of capital assets.

The following page shows the capital asset activity for Fiscal Year 2003-04.

(Amounts in Thousands)

	Beginning Balance	I	ncreases	CIP Transfers	De	ecreases	Ending Balance
GOVERNMENTAL ACTIVITIES: Capital Assets Not Being Depreciated:							
Land Land Improvements	\$ 78,629 2,575	\$	5,555	\$ -	\$	(5,417) \$	78,767 2,575
Collections	8,197		-	-		-	8,197
Construction in Progress (CIP) Infrastructure	839,952 10,103,499		553,601 33,161	(36,556) 21,189		(9,527) (1,479)	1,347,470 10,156,370
Total Capital Assets Not Being Depreciated	11,032,852		592,317	(15,367)		(16,423)	11,593,379
Capital Assets Being Depreciated:	· ·		· · · · · · · · · · · · · · · · · · ·				· · · · · · · · · · · · · · · · · · ·
Leasehold and Land Improvements	70,751		12,213	3,354		(1,088)	85,230
Buildings Vehicles and Equipment	1,329,488 490,946		4,490 33,362	11,472 133		(1,134) (29,235)	1,344,316 495,206
Library Materials and Collections	5,711		411	-		(50)	6,072
Other Capital Assets Infrastructure	21,082 19,511		136 790	408		-	21,218 20,709
Total Capital Assets Being Depreciated	 1,937,489		51,402	15,367		(31,507)	1,972,751
Less: Accumulated Depreciation:	, ,		·	,		. , ,	, ,
Leasehold and Land Improvements	(31,544)		(2,940)	-		732	(33,752)
Buildings Vehicles and Equipment	(420,796) (264,849)		(30,636) (34,039)	-		1,054 34,480	(450,378) (264,408)
Library Materials and Collections	(5,061)		(247)	-		654	(4,654)
Other Capital Assets Infrastructure	(16,978) (6,476)		- (546)	-		-	(16,978) (7,022)
Total Accumulated Depreciation	 (745,704)		(68,408)	-		36,920	(777,192)
Total Capital Assets Being Depreciated, net	1,191,785		(17,006)	15,367		5,413	1,195,559
TOTAL GOVERNMENTAL ACTIVITIES	12,224,637		575,311	-		(11,010)	12,788,938
BUSINESS TYPE ACTIVITIES:							
Capital Assets Not Being Depreciated:	170 70 4		47.500	0.5		(4.045)	107.007
Land Land Improvements	170,724 9,530		17,503 987	85 1,914		(1,015) -	187,297 12,431
Collections	11,586		639	, -		(10)	12,215
Construction in Progress (CIP)	 328,245		242,904	(399,815)		(18,615)	152,719
Total Capital Assets Not Being Depreciated	 520,085		262,033	(397,816)		(19,640)	364,662
Capital Assets Being Depreciated: Leasehold and Land Improvements	277,425		3,967	33,234		(4,638)	309,988
Buildings	2,702,173		32,294	362,196		(11,613)	3,085,050
Vehicles and Equipment Library Materials and Collections	595,821 349,143		106,143 23,004	1,867 -		(38,365) (2,403)	665,466 369,744
Other Capital Assets	8,958		-	(58)		(226)	8,674
Infrastructure	 18,146		165 400	577		- (E7.24E)	18,723
Total Capital Assets Being Depreciated	3,951,666		165,408	397,816		(57,245)	4,457,645
Accumulated Depreciation: Leasehold and Land Improvements	(106,870)		(13,254)	_		1,088	(119,036)
Buildings	(948,949)		(99,788)	-		10,112	(1,038,625)
Vehicles and Equipment Library Materials and Collections	(410,828) (217,716)		(57,558) (17,390)	-		32,939 2,265	(435,447) (232,841)
Other Capital Assets	(22)		-	-		22	-
Infrastructure	 (7,434)		(448)	-		-	(7,882)
Total Accumulated Depreciation	 (1,691,819)		(188,438)	-		46,426	(1,833,831)
Total Capital Assets Being Depreciated, net	 2,259,847		(23,030)	397,816		(10,819)	2,623,814
TOTAL BUSINESS TYPE ACTIVITIES	2,779,932		239,003	-		(30,459)	2,988,476
TOTAL CAPITAL ASSETS, NET	\$ 15,004,569	\$	814,314	\$ -	\$	(41,469) \$	15,777,414

On the government-wide Statement of Activities, depreciation was charged to the functional programs and business type activities as follows:

(Amounts in Thousands)

	reciation mount
GOVERNMENTAL ACTIVITIES:	
General Government Business, Community, and Consumer Affairs Education Health and Rehabilitation Justice Natural Resources Social Assistance Transportation Internal Service Funds (Charged to programs and BTAs based on useage)	\$ 8,088 1,796 506 5,116 26,655 3,503 3,748 10,765 16,692
Total Depreciation Expense Governmental Activities	 76,869
BUSINESS TYPE ACTIVITIES	
Higher Education Institutions Colorado Student Obligation Bond Authority State Lottery Other Enterprise Funds	182,819 329 490 7,039
Total Depreciation Expense Business Type Activities	190,677
Total Depreciation Expense Primary Government	\$ 267,546

Component Units

At June 30, 2003, the University of Colorado Hospital Authority reported gross amounts for the nondepreciable assets land and construction in progress of \$94.6 million. Depreciable assets included buildings and improvements of \$316.3 million and equipment of \$157.0 million. Accumulated depreciation related to these capital assets was \$181.5 million.

The Colorado Water Resources and Power Development Authority reported capital assets of \$56,462, net of accumulated depreciation of \$126,472 at December 31, 2003.

The Denver Metropolitan Major League Baseball Stadium District reported land, land improvements, buildings, and other property and equipment, of \$163.0 million and \$167.1 million, net of accumulated depreciation, at December 31, 2003 and 2002, respectively. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years. Accumulated depreciation was \$39.7 million and 35.5 million at December 31, 2003 and 2002, respectively.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment, of \$16.3 million and \$8.1 million, net of accumulated depreciation of \$3.7 million and \$2.7 million, at June 30, 2003 and 2002, respectively.

NOTE 18 – OTHER LONG-TERM ASSETS

The \$424.7 million shown as Other Long-term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of \$87.6 million, related to the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund,* but rather, they are shown in Taxes Receivable and are offset by Deferred Revenue.

The \$231.7 million of Other Long-Term Assets shown on the fund-level Balance Sheet - Governmental Funds is primarily related to loans issued by the Highway Users Tax Fund (\$8.5 million), a major Special Revenue Fund, and the Water Projects Fund (\$198.7 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the state. The loans are made for periods ranging from 10 to 40 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest. Longterm receivables of the State Lands Fund, a nonmajor Permanent Fund, in the amount of \$12.8 million are also reported in this line. In the governmental funds, the state has reserved the fund balance for long-term assets and long-term loans receivable not offset by deferred revenue.

The \$99.4 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education Institutions and the Colorado Student Obligation Bond Authority, but also includes deferred debt issuance costs. Most of the Colorado Student Obligation Bond Authority student loans are reported as restricted receivables.

NOTES 19 through 26 - DETAILS OF LIABILITY ITEMS

NOTE 19 - PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Virtually all State of Colorado employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Infoline at 1-800-759-7372.

Administration of the Plan

The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931, and it includes the State and School Division Trust Fund, the Municipal Division Trust Fund, and the Judicial Division Trust Fund. The authority to establish or amend plan benefits is retained by the General Assembly in accordance with Title 24, Article 51 of the Colorado Revised Statutes (CRS).

Members with five or more years of service automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

Defined Retirement Benefits

Plan members are eligible to receive a monthly retirement benefit when they reach age 65 or meet the age and service requirements listed below.

Service Retirement Benefits (Other Than Troopers)

(Guier man neope	
Minimum Service Credit	Minimum Age
30 years	50
Age and Service = 80 years or more	55
5 years	65
Less than 5 years	65

Reduced Service Retirement Benefits (Other Than Troopers)

Minimum Service Credit	Minimum Age
25 years	50
20 years	55
5 years	60

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age -30, 50-25, 55-20 and 65-5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5,

depending on age and years of service, for each month before the eligible date for the full service retirement. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55, have a minimum of 5 year of service credit, and their age plus years of service equals 80 or more.

Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest annual salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit. Service retirement benefits are calculated at 2.5 percent of HAS for each year of service credit. The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

PERA retirement and survivor benefits increased at 3.5 percent compounded annually. If the member has not been retired for a full year, the benefit is increased proportionately.

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. For members who have less than five years of service, a money purchase benefit is payable beginning at age 65.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who are under age 65 or are not eligible for retirement that withdraw from the plan receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. The interest rate paid (7.0 percent in 2003, 6.8 percent beginning January 1, 2004) is set at 80 percent of the PERA actuarial investment assumption rate (8.75 percent in 2003, 8.5 percent beginning January 1, 2004).

Disability and Survivor Benefits

PERA provides a two-tiered disability program. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60% of PERA includable salary for 22 months) and

rehabilitation or retraining services. If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit.

If a member dies before retirement, their survivors are entitled to a single payment or monthly benefits. The surviving spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 8 percent of their gross covered wages, except for state troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

On January 1, 2001, the state began matching employees' contributions to eligible tax deferred retirement programs under the PERA Matchmaker Program. At that time the state match was contingent on PERA's actuarial determination that the plan was overfunded (actuarial value of assets in excess of actuarial liabilities). In any period in which the plan is overfunded, a reduced contribution rate is calculated that will eliminate the overfunding in ten years. The difference between the statutory rate and the reduced rate is allocated by PERA to three separate programs – 20 percent to reducing the employer's contribution, 30 percent to the Health Care Trust Fund, and 50 percent to the MatchMaker Program. However, statutory minimum reductions in the employer contribution superseded these percentages in Fiscal Year 2003-04 for the State and School Division and for state troopers.

During Fiscal Year 2003-04, the state contributed 10.15 percent (12.85 percent for state troopers and 12.66 percent for judges in the Judicial Branch) of the employee's gross covered wages, which was allocated by PERA as follows:

 1.10 percent was allocated to the Health Care Trust Fund.

- Throughout the fiscal year, the amount needed to meet the match requirement set by the PERA Board was allocated to individual member's eligible voluntary tax-deferred retirement programs. During calendar year 2003, the matching amount was set at 100 percent of up to two percent of employee gross covered wages paid during the month (six percent for judges in the Judicial Branch). From January 1, 2004 to May 31, 2004, the matching amount was set at 100 percent of up to one percent of employee gross covered wages (five percent for judges in the Judicial Branch). Legislation passed in the 2004 legislative session terminated the employer's match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are one hundred ten percent of actuarially accrued plan liabilities.
- The balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

At December 31, 2003, the State and School Division of PERA was underfunded with an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rate. Per statutes, the PERA board is required to reduce the amortization period to ten years by reducing the amount available for matching contributions under the Matchmaker Program. However, the matching contribution may not change by more than one percent in any year. As a result of this requirement, the state continued to contribute to the Matchmaker Program for most of Fiscal Year 2003-04 at the same time that its contributions to the defined benefit plan are inadequate to meet its nonmandatory 40-year amortization period, which is the target set in the Colorado Revised Statutes.

The state made retirement contributions of \$167.7 million, \$155.7 million, \$135.8 million, \$156.0 million, \$174.2 million, and \$184.9 million, in Fiscal Years 2003-04, 2002-03, 2001-02, 2000-01, 1999-00, and 1998-99, respectively. These amounts do not include the Health Care Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

The Fire and Police Pension Association, a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2003-04 and 2002-03, the State Treasurer transferred \$3.66 million and \$29.1 million, respectively, to the association to enhance its actuarial soundness. This included the state's cost for the accidental death and disability insurance policy the association provides to volunteer firefighters.

Component Units

The University of Colorado Hospital Authority participates in two retirement plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for state employees. The hospital made contributions of \$203,000 and \$152,000 to this plan in Fiscal Years 2002-03 and 2001-02, respectively. The other plan is maintained by the authority and comprises a single employer noncontributory defined benefit plan, a single employer defined contribution plan, and a single employer tax-deferred annuity plan. The authority made contributions of \$10.9 million and \$9.4 million to these plans in Fiscal Years 2002-03 and 2001-02, respectively. Employees contributed \$16.1 million and \$13.7 million for those years. The financial statements of these pension plans are available from the authority.

Employees of CoverColorado, and the Colorado Water Resources and Power Development Authority are covered under the State and School Division of PERA discussed above.

NOTE 20 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Primary Government

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and it is reduced by 5 percent for each year less than 20 years.

Beginning January 1, 2003, the state contribution to the Health Care Trust Fund was 1.10 percent of gross covered wages. The state paid contributions of \$20.4 million, \$24.6 million, \$24.8 million, \$21.3 million, \$18.6 million, and \$14.0 million in Fiscal Years 2003-04, 2002-03, 2001-02. 2000-01, 1999-00, and 1998-99, respectively. Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. The Health Care Trust Fund offers two general types of plans:

fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans. As of December 31, 2003, there were 37,067 participants, including spouses and dependents, from all contributors to the plan.

Life Insurance Program

PERA provides its members access to two group decreasing-term life insurance plans offered by Prudential and Anthem Life Insurance Company (formerly Rocky Mountain Life Insurance Company). Active members may join one or both plans, and they may continue coverage into retirement.

Other Programs

Separate post-retirement health care and life insurance benefit plans exist in some state colleges and universities but are small in comparison to the PERA plan for state employees.

Component Units

Employees of CoverColorado, and the Colorado Water Resources and Power Development Authority are covered under the PERA Health Care Trust Fund discussed above.

NOTE 21 – OTHER EMPLOYEE BENEFITS

Primary Government

Some employees of various institutions of higher education may be covered under other retirement plans. Presidents, deans, professors, and instructors in state educational institutions are enrolled in defined benefit plans such as the Teachers Insurance and Annuity Association, the Variable Annuity Insurance Corporation, or other similar plans.

Faculty members at the University of Colorado are also under Social Security. Faculty members at Colorado State University were covered exclusively by PERA until May 1993. Faculty members hired after that time are covered by one of several defined contribution plans. previously covered by PERA had the choice of converting entirely to the defined contribution plan or remaining in PERA for their service until May 1993, with service after that time credited to the defined contribution plan.

The state made contributions to other pension plans of \$57.8 million and \$59.0 million during Fiscal Years 2003-04 and 2002-03, respectively. In addition, the state paid \$51.0 million and \$53.2 million in FICA and Medicare taxes on employee wages during Fiscal Years 2003-04 and 2002-03, respectively.

Medical and Disability Benefits

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the state offered a variety of medical plans; some of the plans were fully insured while others were self-insured using Anthem Blue Cross Blue Shield as the plan administrator. After January 1, 2000, self-insured plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims. Through Fiscal Year 2001-02, the Group Benefit Plans Fund continued to cover claims originating before January 1, 2000. The state's contribution to the premium is fixed in statute; state employees pay the difference between the statutory contribution and the premium set by the insurer.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for state employees eligible under its retirement plan (see Note 19-A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans program provides an employee with 60 percent of their pay beginning after 30 days of disability or the exhaustion of the employee's sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds and a termination premium that is calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually while deficits are carried forward.

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In 2003, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution), to a maximum of \$12,000. In 2004, the maximum increased to \$13,000. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional \$3,000 contribution in 2004, for a total contribution of \$16,000. Contributions and earnings are tax deferred. On December 31, 2003, the plan had net assets of \$914.0 million and 72,185 accounts.

Employee Deferred Compensation Plan

The state initiated a deferred compensation (457) plan for state employees in 1981. The nine-member Deferred Compensation Committee establishes rules and regulations for implementation of the plan. The Committee comprises the State Controller, the State Treasurer, four plan participants elected by plan members, and three plan participants appointed by the Governor, President of the Senate, and Speaker of the House. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was \$281.5 million and \$260.2 million at June 30, 2004, and June 30, 2003, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent.

Defined Contribution Pension Plan

On January 1, 1999, the state began providing a defined contribution pension plan for certain employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-206 and is governed by the rules and regulations established for the plan by the nine-member Deferred Compensation Committee. The state is the sole contributing employer of the plan.

The following state employees are eligible for participation: a member of the general assembly, the Governor, the Lieutenant Governor, the Attorney General, the chief deputy attorney general, the solicitor general, the Secretary of State, the deputy secretary of state, the State Treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of state appointed by the governor, an employee of the senate or the house of representatives, and a nonclassified employee of the office of the governor. Participation in the plan by eligible employees is voluntary; however, those who do not designate a pension plan become members of the Public Employees Retirement Association (PERA). At June 30, 2004, 152 individuals had accounts with the defined contribution pension plan.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan administered by PERA. During Fiscal Year 2003-04, the state contribution rate was 10.15 percent and the employee was required to contribute 8 percent of gross covered wages.

The financial statements of the Defined Contribution Plan are prepared on the accrual basis of accounting in accordance with NCGA Statement 1 and Governmental Accounting Standards Board Statement 25. The Plan recognizes member and employer contributions as additions in the period in which the employee provides services. Investments are reported at fair value. The Plan had the following concentrations of investments greater than five percent:

Balance	Percent
\$ 1,376,863	27%
846,203	16%
696,535	14%
579,623	11%
665,424	13%
310,531	6%
466,653	9%
177,973	4%
\$ 5,119,805	100%
\$	\$ 1,376,863 846,203 696,535 579,623 665,424 310,531 466,653 177,973

The following page presents the financial statements for the state's pension and other employee benefits plans discussed above.

STATEMENT OF FIDUCIARY NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT FUNDS JUNE 30, 2004

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS	
ASSETS:					
Cash and Pooled Cash	\$ 901	\$ 3	\$ 4,849	\$ 5,753	
Other Receivables, net	1,033	-	152	1,185	
Prepaids, Advances, and Deferred Charges Investments:	-	-	28	28	
Mutual Funds	279,672	6,448	-	286,120	
TOTAL ASSETS	281,606	6,451	5,029	293,086	
LIABILITIES:					
Accounts Payable and Accrued Liabilities	94	-	1,146	1,240	
Accrued Compensated Absences	4	-	25	29	
TOTAL LIABILITIES	98	-	1,171	1,269	
NET ASSETS: Held in Trust for:					
Pension/Benefit Plan Participants	281,508	6,448	3,858	291,814	
Unrestricted	· -	3	· -	3	
TOTAL NET ASSETS	281,508	6,451	3,858	291,817	

STATEMENT OF CHANGES IN NET ASSETS PENSION AND OTHER EMPLOYEE BENEFIT FUNDS FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	COMPENSATION CONTRIBUTION		TOTALS	
ADDITIONS: Additions By Participants Member Contributions Employer Contributions Investment Income/(Loss) Employee Deferral Fees Other Additions	\$ - 32,805 7,650 28,637 446	\$ 1,207 - - 735 4 -	\$ - 80,033 68,752 301 - 375	\$ 1,207 112,838 76,402 29,673 450 375	
TOTAL ADDITIONS	69,538	1,946	149,461	220,945	
DEDUCTIONS: Distributions to Participants Health Insurance Premiums Paid Other Benefits Plan Expense Administrative Expense Other Deductions TOTAL DEDUCTIONS	47,769 - - 387 100 48,256	554 - - 3 16 573	119,391 28,255 - 763 148,409	48,323 119,391 28,255 390 879 197,238	
TRANSFERS: Transfers-Out TOTAL TRANSFERS	-	- -	(426) (426)	(426) (426)	
NET INCREASE (DECREASE) IN ASSETS	21,282	1,373	626	23,281	
NET ASSETS AVAILABLE: FISCAL YEAR BEGINNING	260,226	5,078	3,232	268,536	
FISCAL YEAR ENDING	\$ 281,508	\$ 6,451	\$ 3,858	\$ 291,817	

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA 401K Defined Contribution Pension Plan discussed above.

NOTE 22 – RISK MANAGEMENT

Primary Government

The state currently self-insures its agencies, officials, and employees for certain risks of losses to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state. Property claims are not self-insured; the state has purchased property insurance.

All funds and agencies of the state, with the exception of the component units and the University of Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical experience. Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completed an actuarial study during Fiscal Year 2003-04 determining both the short and long-term liabilities of the Risk Management Fund.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related The state uses the services of Pinnacol Assurance, a related organization, to administer its plan. The state reimburses Pinnacol for the current cost of claims paid and related administrative expenses.

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool a public-entity self-insurance pool. After that date, the university became self-insured for workers' compensation, auto, and general and property liability.

actuary projects both the pool and the self-insured plan undiscounted liabilities. The university purchases reinsurance for losses over \$500,000 per occurrence, except for nonproperty claims excluded from the governmental immunity act. Those nonproperty claims in excess of \$6.0 million individually or in aggregate annually are covered by re-insurance.

The University of Colorado Health Sciences Center's Housestaff Health Benefits Plan is a comprehensive selfinsurance health and dental benefits program for physicians in training at the Health Sciences Center. The university manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of \$150,000 per person and \$5.54 million in aggregate annually. There have been no collections against the aggregate stop-loss insurance in the previous three years. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Health Sciences Center also self-insures its faculty, and staff for medical malpractice through the University of Colorado Self-Insurance Trust consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than \$6.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study.

Colorado State University provides a medical, dental, longterm disability, and an umbrella plan for retirees. The plan was formed in 1985 and is completely self-insured except for medical claims. The medical, dental, and long-term disability plans are funded by monthly contributions of participating employees. Various third-party administrators process claims, and reserves are set according to underwriting review. The plan purchases re-insurance for health claims over \$200,000.

The Department of Human Services used Pinnacol Assurance, a related organization, to administer claims related to the Human Services Workers' Compensation Plan, which was self-insured during the period from July 1, 1985, to June 30, 1990. However, new claims are administered by Risk Management and paid from the Risk Management Workers' Compensation Plan.

In Fiscal Year 2003-04, the state added flood and terrorism to its property insurance coverage. Settlements did not exceed insurance coverage in any of the past three fiscal years.

Changes in claims liabilities were as follows:

(Amounts in Thousands)

Fiscal	Liability at	Current Year Claims and	Claim	Liability at
Year	July 1	Changes in Estimates	Payments	June 30
Risk Management:				
Liability Fund				
2003-04	\$ 39,750	\$ (8,083)	\$ 7,126	\$ 24,541
2002-03	25,475	21,731	7,456	39,750
2001-02	17,374	29,193	21,092	25,475
Workers' Compensation				
2003-04	68,730	35,242	29,842	74,130
2002-03	65,011	25,952	22,233	68,730
2001-02	81,881	19,015	35,885	65,011
Group Benefit Plans:				
2003-04	-	-	-	-
2002-03	-	-	-	-
2001-02	88	89	177	-
University of Colorado:				
General Liability, Property,				
and Workers' Compensation				
2003-04	12,033	7,025	6,217	12,841
2002-03	10,886	4,769	3,622	12,033
2001-02	11,386	2,780	3,280	10,886
University of Colorado Health Sciences Center	er:			
Medical Malpractice				
2003-04	8,759	149	1,269	7,639
2002-03	7,707	2,147	1,095	8,759
2001-02	7,876	333	502	7,707
Housestaff Health Benefits				
2003-04	788	4,135	4,111	812
2002-03	669	4,484	4,365	788
2001-02	551	3,665	3,547	669
Colorado State University:				
Medical, Dental, and Disability Benefits				
2003-04	5,293	11,313	11,832	4,774
2002-03	3,577	12,932	11,216	5,293
2001-02	3,084	7,945	7,452	3,577
Department of Human Services:				
Workers' Compensation				
2003-04	785	(785)	-	-
2002-03	663	194	72	785
2001-02	814	-	151	663

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits and contracts with a commercial insurance company for coverage to \$5.0 million per occurrence when governmental immunity does not apply. For Fiscal Year 2002-03, the hospital recorded premium and administrative expenses of \$515,000. The trust had a fund balance of \$2.2 million in excess of reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for employee health, dental, and accident claims through the University of Colorado and commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most all risks of loss. No claims have been made against this commercial coverage in any of the past three fiscal years.

The Denver Metropolitan Major League Baseball Stadium District purchases commercial insurance to mitigate most of its risk of loss. It requires its lessee and contractors to cover certain other risks. These parties provided the required coverage at their own cost in 2003 and 2002. There were no significant reductions in insurance coverage from the prior year.

NOTE 23 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2004, the state had the following amounts of gross assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

			Equipment
	Land	Buildings	and Other
Governmental Activities	\$ -	\$ 1,541	\$ 21,277
Business Type Activities	5,209	77,869	19,409
Total	\$ 5,209	\$ 79,410	\$ 40,686

At June 30, 2004, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals										
Capital Operating Tota										
Governmental Activities	\$	-	\$	446	\$	446				
Business Type Activities		2,969		182		3,151				
Total	\$	2,969	\$	628	\$	3,597				

During the year ended June 30, 2004, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals							
	Ca	pital	Opei	ating	Total		
Business Type Activities	\$	-	\$	6	\$	6	
Total	\$	-	\$	6	\$	6	

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development and management. Colorado State University subleases space and vehicles from the foundation. The total obligation at June 30, 2004, for the space and vehicles is \$530,440 and \$421,902, respectively. The Colorado State University System leases equipment and land and buildings from the foundation and has a total lease obligation of \$4,909,536.

Fort Lewis College leases assets from the Fort Lewis College Foundation and had a lease payable of \$157,718 at June 30, 2004.

Aurora Community College made operating lease payments of approximately \$1 million to the Community College of Aurora Foundation, which owns three of the four campus buildings.

Morgan Community College made lease payments of \$73,500 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made operating lease payments of \$149,982 to the Trinidad State Junior College Educational Foundation.

The state is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2003-04, the state recorded building and land rent of \$33.2 million and \$18.8 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of \$6.4 million and \$24.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program. The state recorded \$.8 million of lease interest costs in both the governmental and business-type activities.

The \$1.8 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* is primarily related to the Department of Human Services recording \$1.6 million of leases that finance the acquisition of desktop computers. An equivalent amount of capital outlay expenditure is recognized at the inception of these leases, and therefore, there is no impact on fund balance.

Future minimum payments at June 30, 2004, for existing leases were as follows:

(Amounts in Thousands)

	Operati	ng Leases	Capital Leases					
	Governmental	Business-Type	Governmental	Business-Type				
	Activities	Activities	Activities	Activities				
2005	\$ 27,496	\$ 12,865	\$ 4,515	\$ 10,442				
2006	20,302	9,250	2,197	10,101				
2007	13,808	6,650	1,747	8,872				
2008	11,099	5,466	609	7,533				
2009	9,259	4,417	444	6,836				
2010 to 2014	6,756	10,785	2,747	31,657				
2015 to 2019	146	3,164	3,925	30,301				
2020 to 2024	33	-	4,702	22,852				
2025 to 2029	-	-	-	12,087				
2030 to 2034	-	-	-	2,058				
Total Minimum Lease Payments	88,899	52,597	20,886	142,739				
Less: Imputed Interest Costs			4,846	56,208				
Present Value of Minimum Lease Paymen	t \$ 88,899	\$ 52,597	\$ 16,040	\$ 86,531				

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated \$6.2 million and \$4.8 million for Fiscal Years 2002-03 and 2001-02, respectively. Future minimum lease payments for these leases at June 30, 2003, are:

(Amounts in Thousands)

Fiscal Year	Amount
2005 2006 2007	\$ 5,559 1,251 636
Total Minimum Obligations	\$ 7,446

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease expiring in 2005. Total rental expense for the year ended December 31, 2003 and 2002, was \$108,661 and \$121,398, respectively. The total minimum rental

commitment under this lease is \$209,860 for years 2004 through 2005.

CoverColorado leases office facilities under an operating lease that expires in 2007. Total rental expense for the years ended December 31, 2002, and 2001 was \$20,908 and \$17,272, respectively. The total minimum rental commitment under this lease is \$115,000 for years 2004 through 2007.

Effective October 1, 1999, the University of Colorado Foundation entered an agreement to lease the building in which it operated, and it recorded a lease liability equal to the present value of the future minimum lease payments under the lease. The lessor of the building has promised to make a nonreciprocal transfer of the building to the foundation on or before September 2014. As a result, the foundation recorded a contribution receivable equal to the fair value of the promise to give less the premium paid through the capital lease (the excess of the present value of the future minimum lease payments over the estimated fair value of the building at the inception of the lease). The net book value of the property and equipment under

the capital lease totaled \$4,312,500, net of accumulated depreciation of \$1,437,500, as of June 30, 2003.

NOTE 24 – SHORT-TERM DEBT

The State Treasurer issued General Fund Tax Revenue Anticipation Notes in the amount of \$300.0 million on July 3, 2003. The notes were issued primarily for cash management purposes, and were repaid before June 30, 2004, as required by the State Constitution.

Recent legislation authorized the State Treasurer to issue notes for local school districts in anticipation of local school district revenues to be collected at a later time. The State Treasurer issued \$195.0 million of Series A Education Loan Program Tax and Revenue Anticipation Notes on July 15, 2003, and \$200.0 million of Series B Education Loan Program Tax and Revenue Anticipation Notes on December 11, 2003. School districts were required to repay the loans prior to the state's fiscal year end, and the State Treasurer placed the loan repayments in a separate account that was restricted to paying off the notes on the August 9, 2004, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2004:

(Amount in Thousands)

	_	nning ance		Chai	nges	E	Ending Balance
	Jul	July 1 Additions R			Reductions	June 30	
Governmental Activities							
Tax Revenue Anticipation Notes	\$	-	\$	300,000	\$ (300,000)	\$	-
Education Loan Anticipation Notes		-		395,000	-		395,000
Total Governmental Activities Short-Term Financing		-		695,000	(300,000)		395,000
Total Short-Term Financing	\$	-	\$	695,000	\$ (300,000)	\$	395,000

NOTE 25 – NOTES AND BONDS PAYABLE

Primary Government

Many Higher Education Institutions, the Highway Fund, the State Nursing Homes, and the Colorado Student Obligation Bond Authority have issued bonds and notes for the purchase of equipment, construction of facilities and infrastructure, and to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. During Fiscal Year 2003-04, the state's governmental activities had \$72.9 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. The state's business-type activities had \$239.3 million of available net revenue after operating expenses to meet the \$115.6 million of debt service requirement related to these bonds.

On April 15, 2004, the Colorado Department of Transportation issued Transportation Revenue Anticipation Notes, Series 2004A (TRANs) in the amount of \$134,640,000. Voters authorized the issuance in the November 1999 election. Before the November 1999 vote, the Colorado Supreme Court determined that the TRANs do not constitute general obligation debt of the state. The TRANs have an average maturity of 12.6 years and a coupon rate of 5.00 percent. The TRANs are payable solely from certain federal and state funds annually allocated by the State

Transportation Commission. This issuance increased the cumulative debt service of the Department of Transportation TRANs to \$2.3 billion, which is the maximum authorized by the 1999 election.

The state recorded \$138.8 million of interest costs of which \$78.6 million was recorded by governmental activities and \$60.2 million was recorded by businesstype activities. The governmental activities interest cost primarily comprises \$7.3 million of interest on tax revenue anticipation notes issued by the Department of Treasury, \$69.6 million of interest on transportation revenue anticipation notes issued by the Department of Transportation, and \$1.6 million of interest primarily on certificates of participation issued by the Department of Personnel & Administration. The business-type activities interest cost primarily comprises \$31.5 million of interest paid on revenue bonds issued by Higher Education Institutions, \$17.9 million of interest paid on bonds issued by the Colorado Student Obligation Bond Authority, and \$10.0 million of interest paid on bonds issued by the Colorado Guaranteed Student Loan Program.

Annual maturities of notes and bonds payable at June 30, 2004, are as follows:

(Amounts in Thousands)

	Governmental Activities															
Fiscal	Revenue Bonds Notes Payable Certificates of Participation									Totals						
Year	Pri	ncipal		Interest		Principal		Interest		Principal		Interest		Principal		Interest
2005	\$ 5	5,870	\$	78,917	\$	397,023	\$	-	\$	16,885	\$	1,308	\$	419,778	\$	80,225
2006	92	2,835		75,156		-		-		12,665		768		105,500		75,924
2007	97	7,490		70,492		-		-		8,580		379		106,070		70,871
2008	102	2,475		65,514		-		-		4,125		135		106,600		65,649
2009	107	7,795		60,197		-		-		1,025		36		108,820		60,233
2010 to 2014	630	0,600		209,356		-		-		450		11		631,050		209,367
2015 to 2019	430),324		36,023		-		-		80		1	\$	430,404	\$	36,024
Subtotals	1,467	7,389		595,655		397,023		-		43,810		2,638	1	,908,222		598,293
Unamortized																
Prem/Discount	51	L,175		-		-		-		434		-	\$	51,609	\$	
Totals	\$1,518	3,564	\$	595,655	\$	397,023	\$	-	\$	44,244	\$	2,638	\$1	,959,831	\$	598,293

(Amounts in Thousands)

Business	Type	Activities

Fiscal	Revenue	Bonds	Notes	Payable	Mortgag	ges Payable	Certificates o	f Participation	Total	S
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 73,220 \$	45,511	\$ 448	\$ 257	\$ 54	\$ 15	\$ 6,405	\$ 3,564	\$ 80,127 \$	49,347
2006	71,587	42,686	350	228	53	12	10,020	3,138	82,010	46,064
2007	74,402	40,049	362	214	56	10	2,830	2,804	77,650	43,077
2008	45,949	38,023	372	201	59	7	2,475	2,675	48,855	40,906
2009	49,875	36,060	377	187	62	4	2,590	2,560	52,904	38,811
2010 to 2014	159,996	158,353	2,061	696	8	-	9,885	11,316	171,950	170,365
2015 to 2019	130,810	132,380	2,000	195	-	-	10,235	9,051	143,045	141,626
2020 to 2024	236,447	104,408	-	-	-	-	11,325	6,391	247,772	110,799
2025 to 2029	204,935	64,542	-	-	-	-	12,580	3,229	217,515	67,771
2030 to 2034	145,320	38,322	-	-	-	-	5,790	665	151,110	38,987
2035 to 2039	386,635	8,823	-	-	-	-	-	-	386,635	8,823
Subtotals	1,579,176	709,157	5,970	1,978	292	48	74,135	45,393	1,659,573	756,576
Unamortized										
Prem/Discount	(273)	-	-	-	-	-	(411)	-	(684)	
Totals	\$1,578,903	709,157	\$ 5,970	\$ 1,978	\$ 292	\$ 48	\$ 73,724	\$ 45,393	\$1,658,889	756,576

Component Units

The debt service requirements to maturity for the Water Resources and Power Development Authority at December 31, 2003, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total		
2005	\$ 33,440	\$ 32,231	\$ 65,671		
2006	34,460	30,821	65,281		
2007	36,175	29,267	65,442		
2008	37,825	27,591	65,416		
2009	39,125	25,851	64,976		
2010 to 2014	199,885	99,801	299,686		
2015 to 2019	164,590	52,265	216,855		
2020 to 2024	102,850	15,351	118,201		
2025 to 2029	9,855	627	10,482		
Total Future Payments	\$ 658,205	\$ 313,805	\$ 972,010		

The original principal amount for the outstanding bonds was \$878.0 million. Total interest paid during 2003 and 2002 amounted to \$32,200,865 and \$29,889,321, respectively.

All of the Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation. The authority has provided a Debt Service Bond Reserve Fund of \$8.5 million that is represented as a restricted net asset.

During Fiscal Years 2002-03 and 2001-02 the University of Colorado Hospital Authority met all the financial ratio requirements of its bond indenture. Cash paid for interest by the hospital in Fiscal Years 2002-03 and 2001-02 approximated \$15.4 million and \$13.8 million, respect-

ively. Total interest cost capitalized in Fiscal Year 2002-03 amounted to \$3.2 million, which is net of \$.7 million of investment income from the unexpended bond funds. The aggregate maturities of long-term debt for University of Colorado Hospital Authority at June 30, 2003, are:

(Amounts in Thousands)								
Year	Principal	Interest	Total					
2004	\$ 4,350	\$ 15,813	\$ 20,163					
2005	5,175	15,606	20,781					
2006	5,420	15,359	20,779					
2007	5,685	15,095	20,780					
2008	5,965	14,815	20,780					
2009 to 2013	34,525	69,366	103,891					
2014 to 2018	44,180	59,713	103,893					
2019 to 2023	57,110	46,780	103,890					
2024 to 2028	74,090	29,810	103,900					
2029 to 2032	74,660	8,452	83,112					
Total Long-Term Debt Payments	311,160	\$ 290,809	\$ 601,969					
Less: Unamortized Discount	(4,129)							
Deferred Amount on Refunding of Series 1997A Bonds	(6,991)							
Total Carrying Amount of Long-Term Debt	\$ 300,040							

Bear Creek I, LLC (Bear Creek) is a Colorado limited liability corporation whose sole member is the University of Colorado Foundation. Bear Creek borrowed \$69.1 million of the proceeds from the Colorado Educational and Cultural Facilities Authority (CECFA) 2002 Student Housing Revenue Bonds issuance. CECFA is a related party of the state. Bear Creek is using the borrowing proceeds to fund construction and furnishing of a student housing facility and a community center, to fund interest costs during the construction period, and to pay issuance costs. The bonds are payable from loan payments made

by Bear Creek to CECFA, from funds held by the bond trustee, and from a Commitment of Support agreement in which Bear Creek has agreed to make up any deficiency from the first two sources. At June 30, 2003, scheduled payments on principal for the bonds at June 30 each year were \$1,200,000 for 2006, \$1,000,000 for 2007, \$1,200,000 for 2008, and \$65,690,000 thereafter. At June 30, 2003, the trustee held \$22.8 million of the loan proceeds as investments because those funds had not yet been expended.

NOTE 26 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following page summarizes the changes in long-term liabilities for Fiscal Year 2003-04.

(Amount in Thousands)

	Beginning Balance	Cha	nges	Ending Balance	Due Within	
	July 1	Additions	Reductions	June 30	One Year	
Governmental Activities						
Deposits Held In Custody For Others	\$ 8	\$ 5	\$ (3)	\$ 10	\$ -	
Accrued Compensated Absences	113,548	7,629	(9,073)	112,104	7,992	
Claims and Judgments Payable	29,200	-	-	29,200	12,084	
Capital Lease Obligations	5,054	10,385	(2,220)	13,219	2,821	
Bonds Payable	1,269,896	964,325	(721,526)	1,512,695	5,870	
Certificates of Participation	39,257	23	(11,922)	27,358	16,885	
Other Long-Term Liabilities	501,390	67,458	(67,945)	500,903	-	
Total Governmental Activities Long-Term Liabilities	1,958,353	1,049,825	(812,689)	2,195,489	45,652	
Business Type Activities						
Accrued Compensated Absences	124,854	13,241	(9,460)	128,635	9,719	
Capital Lease Obligations	80,636	5,875	(5,517)	80,994	5,537	
Bonds Payable	1,499,241	181,786	(176,585)	1,504,442	74,461	
Certificates of Participation	41,476	34,480	(8,382)	67,574	6,150	
Notes, Anticipation Warrants, Mortgages	6,185	-	(441)	5,744	518	
Other Long-Term Liabilities	76,251	3,246	(9,323)	70,174	-	
Total Business Type Activities Long-Term Liabilities	1,828,643	238,628	(209,708)	1,857,563	96,385	
Fiduciary Activities						
Deposits Held In Custody For Others	46,324	4,764	(10,868)	40,220	-	
Accrued Compensated Absences	21	12	(4)	29	-	
Other Long-Term Liabilities	2,068	483	(345)	2,206	-	
Total Fiduciary Activities Long-Term Liabilities	48,413	5,259	(11,217)	42,455	-	
Total Primary Government Long-Term Liabilities	\$ 3,835,409	\$ 1,293,712	\$ (1,033,614)	\$ 4,095,507	\$ 142,037	

Long-term liabilities that are actuarially determined often include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. See Note 22 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.

At June 30, 2004, the following obligations were classified as other long-term liabilities on the government-wide *Statement of Net Assets*.

The \$500.9 million shown for governmental activities primarily comprises:

- \$70.7 million of Risk Management claims that are actuarially determined for general liability and workers' compensation;
- \$250.6 million of actuarially determined Labor Fund claims related to medical and other benefits primarily for workers injured in private sector employment. The state expects to fund these benefits through future revenues from a special tax on workers' compensation premiums, court awards, and interest income.
- \$179.6 million of tax refunds payable, which were at various levels of administrative and legal appeal.
 These refunds relate to tax revenues of the General

Fund and Highway Users Tax Fund. Payment is not expected within one year.

The \$70.2 million shown for business-type activities primarily comprises:

- \$36.5 million of promises to pay future tuition costs related to the prepaid tuition program of the Colorado Student Obligation Bond Authority.
- \$31.8 million of actuarially determined risk management claims, long-term deferred revenue, and a \$1.7 million promise to pay the Lowry Redevelopment Authority for borrowing to finance infrastructure improvements that will not become property of the state. The risk management claims are related to the University of Colorado's self-insurance program for general liability, property, workers' compensation, medical benefits, and medical malpractice (\$21.6 million), and the Colorado State University's selfinsurance of medical, dental and short-term disability benefits for faculty and staff (\$2.6 million). The deferred revenue is primarily related to a ground lease at the University of Northern Colorado (\$2.5 million) and advance receipts from a contract entered into by the Colorado School of Mines (\$4.5 million).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

_	Beginning Balance Additions		Reductions	Ending Balance	Current Portion	
University of Colorado Hospital Aut	hority					
Bonds Payable	\$ 303,483	\$ 727	\$ 4,170	\$ 300,040	\$ 4,350	
Colorado Water Resources and Pow	ver Development Au	ıthority				
Bonds Payable Other Long-Term Liabilities	\$ 581,514 \$ 183,336	\$ 74,650 \$ 86,450	\$ 32,995 \$126,939	\$ 623,169 \$ 142,847	\$ 33,440 \$123,192	

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water and pollution control construction project costs that it will pay on loans made to local governments.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including gift annuities, charitable remainder trusts, unitrusts, and a pooled income fund. After termination of the agreements, the assets revert to the foundation to create an endowment to support University activities. The related assets are generally marketable equity and fixed income securities recorded as investments at fair market value. The estimated net present value of obligations to named beneficiaries is reported as an Other Long Term Liability on the Statement of Net Assets -Component Units. Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. Fair value of assets in excess of the estimated liability is recorded as Gift and Donation revenue at the date of the gift. Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gift and Donation revenue on the Statement of Revenue, Expenditures, and Changes in Fund Net Assets -Component Units.

At June 30, 2003, the University of Colorado Foundation held \$55,068,549 of endowments for the University of Colorado. On the *Statement of Net Assets – Component Units*, this liability is reported as Deposits Held in Custody.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2003, total life income agreement assets of CSUF were \$889,427. Life income agreements payable at the same date totaled \$1,038,333. The estimated net present value of obligations to named beneficiaries is reported as an Other Long Term Liability on the *Statement of Net Assets – Component Units*. At June 30, 2003, the foundation held \$11,292,751 of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets – Component Units*, this liability is reported as Deposits Held in Custody.

At June 30, 2003, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of \$11.3 million; related liabilities of \$6.5 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as an Other Long Term Liability on the *Statement of Net Assets – Component Units*.

CSMF has also entered several gift annuity contracts for which the related assets are not separately identified but for which an Other Long Term Liability of \$2.8 million is reported on the *Statement of Net Assets – Component Units*. At June 30, 2003, CSMF reported \$8.1 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

NOTE 27 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2003-04, debt was defeased in the governmental activities and in the business-type activities.

At June 30, 2004, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency Amou		Amount					
Governmental Activities:							
Department of Transportation	\$	666,485					
Business Type Activities:							
University of Northern Colorado	\$	27,330					
Western State College		19,080					
Auraria Higher Education Center		14,805					
Colorado School of Mines		11,230					
Adams State College		9,110					
Fort Lewis College		7,171					
University of Colorado		4,396					
Mesa State College		4,295					
Colorado State University - Pueblo		2,836					
Red Rocks Community College		2,475					
Pikes Peak Community College		1,110					
Total	\$	770,323					

Adams State College issued \$9,467,785 of Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2004A to defease \$9,110,000 of Series A 1994 Enterprise Revenue Bonds. The defeased debt had interest rates ranging from 3.30 percent to 5.75 percent, and the new debt has interest rates ranging from 2.50 percent to 5.25 percent. The remaining term of the debt increased from 15 years to 20 years, and debt service cash flows increased by \$951,996. The refunding resulted in an economic gain of \$472,524 and a book loss of \$602,188 that was deferred and will be amortized as interest expense over 15 years.

The Department of Transportation issued \$280,220,000 of Transportation Revenue Anticipation Refunding Notes, Series 2004B, to defease a \$67,796,000 portion of Series

2001A Transportation Revenue Anticipation Notes, a \$110,955,000 portion of Series 2002 Transportation Revenue Anticipation Notes, and the \$100,000,000 balance of Series 2003A Transportation Revenue Anticipation Notes. The defeased debt had interest rates ranging from 4.25 percent to 5.50 percent, and the new debt has interest rates ranging from 2.5 percent to 5.0 percent. The remaining term of the debt decreased from 13 to 12 years, and debt service cash flows decreased by \$39,790,775. The refunding resulted in an economic gain of \$9,965,095 and a book loss of \$22,046,650 that will be amortized as interest expense over 13 years.

The Colorado State University - Pueblo issued \$3,625,000 of Auxiliary Facilities Enterprise Refunding and Improvement Bonds Series 2003, of which \$2,835,797 was used to refund \$3,475,000 of University of Southern Colorado Auxiliary Revenue Bonds, Series 1992. The defeased debt had an average interest rate of 6.12 percent, and the new debt has an average interest rate of 2.57 percent. The remaining term of the debt was unchanged at 8 years, and debt service cash flows decreased by \$1,227,346. The refunding resulted in an economic gain of \$404,149 and a book loss of \$107,385 that will be amortized as interest expense over 8 years.

Component Units

In November 1997, the University of Colorado Hospital Authority issued \$123.9 million in Hospital Refunding Revenue Bonds to advance refund Series 1992A bonds. At June 30, 2003, \$101.8 million of bonds outstanding are considered defeased. The refunding resulted in a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2003, the unamortized deferred loss on refunding is \$7.0 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by \$6.5 million and to obtain an economic gain of \$3.7 million.

At December 31, 2003, the Colorado Water Resources and Power Development Authority had \$7.25 million of bonds previously issued but defeased, and therefore, not reflected in bonds payable.

Total debt service, including principal and interest, remaining for the Denver Metropolitan Major League Baseball Stadium District's in-substance defeased debt was \$15.7 million at December 31, 2003. The amortized cost of the related escrow securities was \$14.1 million.

NOTES 28 THROUGH 29 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 28 – PRIOR PERIOD ADJUSTMENTS

The beginning net assets of the Governmental Activities on the *Statement of Activities* increased by \$57,919,310 due to correction of the following accounting errors:

- The Department of State reduced beginning net assets of the Governmental Activities and the Secretary of State Fees Fund, a nonmajor Other Special Revenue Fund, by \$1,733,077 to remove the effect of duplicate payments, which had inappropriately been recorded as revenues in prior years. The adjustment also removed the effect of unearned revenues that had been inappropriately recorded as earned revenue.
- The Department of Personnel & Administration increased beginning net assets of the Governmental Activities and the Central Services Fund, an Internal Service Fund, by \$16,116,448 when it reduced accumulated depreciation that had been inappropriately accelerated on vehicles in the state fleet.
- The Department of Treasury increased beginning net assets of the Governmental Activities and the Tobacco Settlement Trust Fund, a nonmajor Special Revenue Fund, by \$43,040,533 when it implemented Governmental Accounting Standards Board Technical Bulletin 2004-1. The bulletin requires states to accrue revenue related to the shipment of tobacco products in the period from January 1 through June 30 even though payment is received at a later date.
- The Department of Regulatory Agencies increased beginning net assets of the Governmental Activities and the Other Special Revenue Funds, a nonmajor Special Revenue Fund, by \$495,406 when it recognized revenues of the Personal Injury Protection Exam Program that had previously been deferred in error.

The beginning net assets of the business-type activities on the *Statement of Activities* and the beginning net assets of the Nursing Homes, a nonmajor Enterprise Fund on the *Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds* increased by \$437,891 due to correction of an error. The Department of Human Services overstated accumulated depreciation of the nursing homes in prior years.

The beginning fund balance of the General Fund on the fund-level *Statement of Revenues, Expenditures and Changes in Fund Balances* increased by \$410,893 and the beginning fund balance of the Other Governmental Funds decreased by the same amount. The Department of Health Care Policy and Financing inappropriately recorded expenditures in the General Fund in Fiscal Year 2002-03 that should have been recorded by the Department of Human Services in the Supplemental Old Age Pension Health and Medical Fund, an Other Special Revenue Fund. This change also affected the beginning balance of the Other Special Revenue Funds on the *Combining Statement of Revenues, Expenditures and Changes in Fund Balances*.

NOTE 29 – FUND EQUITY

On the *Balance Sheet – Governmental Funds*, the Capital Projects Fund Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The deficit unreserved fund balance of \$40.0 million is the result of encumbrances for construction contracts authorized by multi-year budgets (see Note RSI-1B). The cash funded and general funded resources that will support these appropriations have not yet been provided to the Capital Projects Fund.

Details of the TABOR Emergency Reserve required by Article X, Section 20, of the State Constitution are presented in Note 8B.

NOTE 30 - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2004, were:

(Amounts in Thousands)

	BUYER'S/BORROWER'S PAYABLE									
SELLER'S/LENDER'S RECEIVABLE	General Fund	Public School	Highway Users Tax	Capital Projects	Higher Education Institutions	Unemploy- ment Insurance	Student Obligation Bond Authority	State Lottery	All Other Funds	Total
GOVERNMENTAL FUNDS:	•									
General	\$ -	\$19	\$ 411	\$ -	\$ 618	\$ 428	\$ -	\$ -	\$ 39,794	\$ 41,270
Public School	-	Ψ15	Ψ -111	Ψ -	ψ 010 -	Ψ -120	· -	2,396	3,122	5,518
Highway Users Tax	9,430	_	_	_	_	_	_	-	1,702	11,132
Capital Projects	-	_	_	-	45	_	_	_	25	70
State Lands	-	-	_	-	_	_	_	_	687	687
Other Permanent Trust	-	-	_	-	-	_	-	_	10	10
Water Projects	-	-	_	172	-	_	-	_	1,587	1,759
Labor	185	-	-	-	43	-	-	-	1	229
Tobacco Litigation Settlement	9	-	-	-	-	-	-	-	-	9
Other Special Revenue	566	-	37	-	8	10,000	-	12,904	33,092	56,607
PROPRIETARY FUNDS:										
Higher Education Institutions	1,922	-	23	210	1,234	_	_	_	2,655	6,044
Student Obligation Bond Authority	· -	-	_	-	-	_	-	_	484	484
Wildlife	-	-	-	-	-	-	-	-	3	3
Guaranteed Student Loan	3	-	-	-	-	-	-	-	-	3
Correctional Industries	1	-	1	-	1,206	-	-	-	2	1,210
Nursing Homes	1,125	-	-	-	-	-	-	-	-	1,125
Other Enterprise	33	-	-	-	-	-	-	-	-	33
INTERNAL SERVICE FUNDS										
Central Services	25	-	5	-	47	-	-	-	-	77
FIDUCIARY FUNDS										
College Savings Plan	_	_	_	_	_	_	308	_	_	308
Treasurer's Agency Funds	_	_	_	_	_	_	-	10,506	_	10,506
Other Agency Funds	6	_	_	-	-	_	-	- ,	-	6
Total	\$ 13,305	\$19	\$ 477	\$ 382	\$ 3,201	\$ 10,428	\$ 308	\$ 25,806	\$ 83,164	\$ 137,090

The \$25.8 million payable shown for the State Lottery is related to distributions to other state and agency funds that were accrued at June 30, 2004, and were paid early in Fiscal Year 2004-05. The Treasurer's Agency Funds had \$10.5 million due from the Lottery that the Treasurer distributes to the Great Outdoors Colorado Program, a related party. The Conservation Trust Fund had \$10.3 million and the Department of Natural Resources Lottery Distribution Fund had \$2.6 million due from the Lottery Fund; both funds are Other Special Revenue Funds.

The \$41.3 million receivable in the General Fund, which is shown as primarily payable from All Other Funds, is related to the Gaming Fund distribution of \$40.2 million. The distribution to various funds was accrued at June 30, 2004, and was paid early in Fiscal Year 2004-05. The Gaming Fund is a nonmajor Special Revenue Fund.

The \$56.6 million receivable in the Other Special Revenue Funds is primarily due from the Lottery Fund (as discussed above), the Unemployment Insurance Fund, and the Severance Tax Trust Fund. The Employment Support Fund, an Other Special Revenue Fund, had \$10.0 million receivable from the Unemployment Insurance Fund related to a loan made to the Unemployment Insurance Fund. The Severance Tax Trust Fund, an Other Special Revenue Fund, held a long-term receivable of \$33.1 million that was payable from the Water Projects Fund, a nonmajor Special Revenue Fund. The Water Projects Fund has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund. The loans have terms ranging from 10 to 40 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

No other long-term interfund receivable/payable balances are material. Other balances shown in the schedule above are the result of timing differences between when expenses/expenditures and revenues must be accrued on a GAAP basis and when the payment is made.

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2004, were as follows:

(Amounts in Thousands)

	TRANSFER-IN FUND							<u>-</u>		
	General Fund		Public School	Ű	jhway sers Tax	Capital Projects	Higher Education Institutions	Nonmajor Funds		TOTAL
TRANSFER-OUT FUND										
MAJOR FUNDS:										
General Fund	\$ -	\$	2,245,538	\$	5,559	\$ 14,317	\$ 602,896	\$ 62,833	\$	2,931,143
Public School	236		-		-	-	-	788		1,024
Highway Users	32,821		-		-	2,690	-	75,809		111,320
Capital Projects	-		-		-	-	-	5,637		5,637
State Education	-		5,000		-	-	1,950	5,000		11,950
Higher Education Institutions	3,025		-		-	-	-	-		3,025
Student Obligation Bond Authority	27		-		-	-	-	241		268
Lottery	331		2,396		-	-	-	52,036		54,763
NONMAJOR FUNDS										
SPECIAL REVENUE FUNDS:										
Water Projects	5,043		-		-	-	-	344		5,387
Labor	368		-		-	-	-	_		368
Gaming	47,603		-		-	239	-	-		47,842
Tobacco Litigation Settlement	2,058		-		-	-	-	18,556		20,614
Other Special Revenue	135,855		35,867		164	4,170	133	8,193		184,382
PERMANENT FUNDS:										
State Lands Trust Expendable	146		30,938		-	-	58	37		31,179
State Lands Trust Nonexpendable	_		· -		-	-	181	4,098		4,279
Other Permanent Trust Nonexpendable	-		-		-	-	-	28		28
ENTERPRISE FUNDS:										
Wildlife	4,206		-		-	-	-	_		4,206
Guaranteed Student Loan	147		-		-	-	-	_		147
Correctional Industries	567		-		-	-	-	_		567
Nursing Homes	97		-		-	-	-	-		97
Prison Canteens	76		-		-	36	-	-		112
Other Enterprise Funds	-		-		-	-	-	10		10
INTERNAL SERVICE FUNDS:										
Central Services	1,364		-		-	-	-	-		1,364
General Government Computer Center	626		-		-	-	-	239		865
Telecommunications	436		-		-	-	-	-		436
Capitol Complex	1,002		-		-	-	-	54		1,056
Administrative Hearings	160		-		-	-	-	-		160
Debt Collection	187		-		-	-	-	141		328
FIDUCIARY FUNDS:										
Group Benefit Plans	426		-		-	-	_	_		426
Treasurer's Private Purpose	2,884		-		-	-	-	267		3,151
TOTAL	\$ 239,691	\$	2,319,739	\$	5,723	\$ 21,452	\$ 605,218	\$ 234,311	\$	3,426,134

In the normal course of events, the Legislature specifies a large number of transfers between funds exercising its responsibility to allocate the state's resources to programs. Due to revenue shortfalls in Fiscal Years 2001-02 and 2002-03, the state transferred \$726.1 million and \$555.8 million, respectively, from various funds to the General Fund. In Fiscal Year 2003-04, nonroutine transfers into the General Fund were roughly equivalent to the nonroutine transfers out to repay cash funds for prior year support of the General Fund. The transfers made specifically to augment the General Fund in the current year are shown on the Schedule of Revenues, Expenditures, and Changes in General Fund Surplus on page 89.

The following paragraphs describe the large routine transfers into the General Fund that are generally specified in the Long Appropriations Act, which is the state's primary budget document.

The \$32.8 million transfer into the General Fund from the Highway Users Tax Fund, a major Special Revenue Fund, is primarily indirect cost transfers and specific funding of highway related programs reported in the General Fund.

The \$47.6 million transfer into the General Fund from the Gaming Fund, a nonmajor Special Revenue Fund, is a routine transfer done because the Gaming Fund is allowed to retain only a portion of gaming taxes and fees and the remaining balance becomes general-purpose revenue of the General Fund.

The \$135.9 million transfer into the General Fund from Other Special Revenue Funds is primarily related to ongoing funding of programs reported in the General Fund by cash funded programs that collect specific fees and other revenues. This amount includes indirect cost transfers from a large number of cash funds to the General Fund.

NOTE 32 – ON-BEHALF PAYMENTS AND UNUSUAL OR INFREQUENT TRANSACTIONS

The Governor's Office of Innovation and Technology received on-behalf payments in the amount of \$65,000 for salaries. The Governor's Office was not legally responsible for payment of these salaries, and it recorded equivalent amounts of revenue and expenditure for these payments in the General Fund. However, these revenues and expenditures were not included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Basis Budget and Actual – General Funded.

NOTE 33 – DONOR RESTRICTED ENDOWMENTS

The state's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no state law that governs endowment spending.

The University of Colorado reported net appreciation on endowment investments of \$5,471 that was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported \$177,249 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The university reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds*. The Colorado State University Foundation investment committee manages the endowment investments and has the discretion to distribute investment income to meet current or special needs.

The Colorado School of Mines (CSM) reported \$186,894 of net appreciation on donor-restricted endowments with \$103,043 available for expending. The CSM reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds*. CSM's spending rate policy allows 5.5 percent of endowment net assets to be expended.

NOTE 34 – SEGMENT INFORMATION

Primary Government

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the state's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the state's segments are separately reported on the government-wide *Statement of Activities*. The following paragraphs describe the state's segments.

The Colorado Student Obligation Bond Authority issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CSOBA is not presented because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Funds' Segments:

The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo, Colorado.

Higher Education Institutions' Segments:

The University of Colorado research activities segment charges for research services.

University Physicians Incorporated (UPI) is a not-forprofit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Health Sciences Center. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund.

The Colorado State University - Pueblo student activities segment charges students fees for programs and facilities provided at the campus.

The Colorado School of Mines auxiliary housing segment charges students for housing. The School of Mines' general research facilities segment charges rent to research programs.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities. Financial information for the Auraria Higher Education Center's segments is not available at this time.

The following two pages present condensed financial information for the state's segments that are not presented as major funds.

CONDENSED STATEMENT OF NET ASSETS

UNIVERSITY OF COLORADO

(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	RESEARCH ACTIVITIES	UNIVERSITY PHYSICIANS INCORPORATED
ASSETS: Current Assets Due From Other Funds Other Assets Capital Assets	\$ 763 - 286 10,853	\$ - 27,649 49,542	\$ 58,937 - 36,345 19,850
Total Assets LIABILITIES: Current Liabilities Due To Other Funds Noncurrent Liabilities	11,902 3,185 - 213	77,191 3,351 - 15,203	115,132 14,005 - 20,303
Total Liabilities NET ASSETS: Invested in Capital Assets , Net of Related Debt Unrestricted	3,398 9,090 (586)	18,554 32,196 26,441	34,308 19,114 61,710
Total Net Assets	\$ 8,504	\$ 58,637	\$ 80,824

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

OPERATING REVENUES: Tuition and Fees Sales of Goods and Services Other	\$ - 6,774 1,308	\$ - 3,029 8,609	\$ - 194,160 -
Total Operating Revenues	8,082	11,638	194,160
OPERATING EXPENSES: Depreciation Other	615 7,954	3,509 5,465	1,196 187,636
Total Operating Expenses	8,569	8,974	188,832
OPERATING INCOME (LOSS)	(487)	2,664	5,328
NONOPERATING REVENUES AND (EXPENSES): Investment Income Gifts and Donations Other Nonoperating Revenues Debt Service Other Nonoperating Expenses	(15) 229 - (155)	1,145 - - - (935)	279 - - (143) (634)
Total Nonoperating Revenues(Expenses)	59	210	(498)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS: Capital Contributions and Additions to Endowments Transfers-In Transfers-Out	110	- 214 -	- - -
Total Contributions, Transfers, and Other	110	214	-
CHANGE IN NET ASSETS	(318)	3,088	4,830
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	8,822	55,549	75,994
TOTAL NET ASSETS - FISCAL YEAR ENDING	\$ 8,504	\$ 58,637	\$ 80,824

CONDENSED STATEMENT OF CASH FLOWS

NET CASH PROVIDED (USED) BY: Operating activities Noncapital Financing Activities Capital and Related Financing Activities Investing Activities	\$ (179) - 80 (16)	\$ 6,475 214 (6,089) (600)	\$ 9,704 (646) (13,250) 7,732
NET INCREASE (DECR.) IN CASH AND POOLED CASH CASH AND POOLED CASH , FISCAL YEAR BEGINNING	(115) 661	-	3,540 12,049
CASH AND POOLED CASH, FISCAL YEAR ENDING	\$ 546	\$ -	\$ 15,589

RADO STATE SITY - PUEBLO		COLO SCHOOL	RADO OF MIN	IES			A HIGHER ON CENTI	
TUDENT TIVITIES		KILIARY DUSING	RES	NERAL EARCH CILITIES	PARI FACIL	KING LITIES	STUD FACIL	
\$ 1,548	\$	11,729	\$	141	\$	-	\$	-
669 3,142		- 37,783		- - 11,542		-		-
5,359		49,512		11,683		-		-
412		2,342		399		-		-
88 3,781		- 47,198		- 10,860		-		-
4,281		49,540		11,259		-		-
- 1,078		- (28)		682 (258)		-		-
\$ 1,078	\$	(28)	\$	424	\$	-	\$	-
\$ 2,204 5,236 127	\$	949 6,282	\$	- - 220	\$	- - -	\$	-
7,567		7,231		220		-		-
269 5,203		950 5,626		294 28		-		-
5,472		6,576		322		-		-
2,095		655		(102)		-		-
52 23 401 (3,606)		109 - - (867)		- - - (220)		- - -		- - -
 (28)		(22) (780)		(5) (225)		-		-
(3/233)		(700)		(223)				
3,836 (1,695)		- 158 -		- - -		- - -		- - -
 2,141		158		-		-		-
1,078		33		(327) 751		-		-
\$ 1,078	\$	(61)	\$	424	\$	-	\$	
\$ (748) - -	\$	1,606 (732) (17,238)	\$	194 - (438)	\$	- - -	\$	- - -
 (748) 1,846	(109 (16,255) 27,369		(244) 385		- - -		<u>-</u> - -
\$ 1,098	\$	11,114	\$	141	\$	-	\$	-

NOTE 35 – COMPONENT UNITS

The state reports eight component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 39. The state implemented GASB Statement No. 39 in Fiscal Year 2003-04, and four discretely presented component units were added to the state's financial statements. All of the component units are considered major except Cover-Colorado, which is presented as the sole nonmajor component unit. Financial statements for the component units are presented in the Basic Financial Statements.

University Hospital is a nonsectarian, general acute and psychiatric care regional hospital licensed for 450 beds, with six outpatient clinics and a home therapy unit, operated by the University of Colorado Hospital Authority. It also includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Health Sciences Center (UCHSC), a state institution of higher education. The hospital's mission is to provide education, research and a full spectrum of primary, secondary and tertiary health care services to the Denver metropolitan area and the Rocky Mountain Region. The hospital is in the process of relocating its main campus from east central Denver to the Fitzsimons Campus in the Denver suburb of Aurora.

During Fiscal Year 2003-04, University Hospital paid the UCHSC \$30.0 million, and UCHSC paid University Hospital \$7.2 million. UCHSC also reported on-behalf payments of \$2.2 million from University Hospital as revenue and expense of the Higher Education Institutions on the government-wide *Statement of Activities* and the fundlevel *Statement of Revenues, Expenses and Changes in Net Assets*. At June 30, 2004, University Hospital owed the UCHSC \$1,386,660; UCHSC owed University Hospital \$766,997.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and federal capitalization grants.

The Denver Metropolitan Major League Baseball Stadium District includes all or part of the six counties in the Denver metro area. The district was created for the purpose of acquiring, constructing and operating a major league baseball stadium. To accomplish this purpose, the district levied a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on

January 1, 2001, after it defeased all outstanding debt. In June 2003, 2002, and 2001, the district refunded \$1.6 million, \$1.6 million, and \$11.25 million, respectively, of the sales tax levy to the six counties because the funds were deemed unnecessary for the expenses and reserves of the district.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado (a state institution of higher education) and the University of Colorado Hospital Authority (a component unit of the state). The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. It receives revenue from the University of Colorado under an annually renewable Agreement for Development Services. For the fiscal year ended June 30, 2003, the foundation distributed \$63.3 million to the University of Colorado and \$13.1 million to the University of Colorado Hospital Authority.

The Colorado State University Foundation is a not-for-profit tax-exempt organization incorporated in 1970 to assist in the promotion, development and enhancement of the facilities and educational programs and opportunities of the faculty, students and alumni of Colorado State University. This is accomplished through receiving, managing, and investing contributions, gifts, and bequests. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Years 2003-04 and 2002-03, the foundation transferred \$22.9 million and \$24.6 million, respectively, to the university.

The Colorado School of Mines Foundation is a nonprofit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a taxexempt organization incorporated in 1966 to promote the general welfare, development, growth, and well being of the University of Northern Colorado. The foundation accomplishes this mission through solicitation and acquisition of gifts, investing and managing property, and furnishing funds, facilities, equipment, and services.

CoverColorado is a nonprofit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program.

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado Historical Foundation was established in part to hold and forward funds for the benefit of the Colorado Historical Society, a state agency. In Fiscal Year 2003-04 the foundation provided grants and reimbursements totaling \$186,298 to the Colorado Historical Society. The foundation owed the society \$96,279 at June 30, 2004.

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred \$1.4 million to the university during Fiscal Year 2003-04, and it owed the university \$97,596 at June 30, 2004.

The Fort Lewis College Foundation was established to assist in promoting, developing, and enhancing the facilities and programs of the college. During Fiscal Years 2003-04 and 2002-03, the foundation transferred \$1,382,076 and \$694,839, respectively, to the college. At June 30, 2004, the foundation owed the college \$54,406.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as, providing program development grants to Adams State College. The foundation provided \$757,804 and \$530,780 in scholarships and grants during Fiscal Year 2003-04 and 2002-03, respectively.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2003-04, the college drew \$258,013 from the foundation primarily for athletic scholarships, the foundation expended \$278,608 on construction costs for a new performing arts complex at the college, and the foundation funded regular operations of the college through cash and in-kind contributions of \$333,736. The foundation also donated real property to the college valued at \$2,783,764 and awarded \$344,334 of scholarships directly to students of the college.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided \$2.59 million and \$2.39 million of funding to the college in Fiscal Year 2003-04 and 2002-03, respectively. The foundation also reimbursed the college \$190,766 for services provided by college employees. At June 30, 2004, the foundation owed the college \$159,570.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred \$1.37 million and \$1.35 million to the college in Fiscal Year 2003-04 and 2002-03, respectively.

Most of the state's community colleges have established foundations to assist in their educational missions.

However, none of those foundations made annual transfers to their related colleges in excess of \$500,000.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation at June 30, 2004, and June 30, 2003, were \$2.6 million and \$3.6 million, respectively. At June 30, 2004, the Building Corporation has a receivable of \$399,481 that was due from the Colorado School of Mines Development Corporation discussed below.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The Development Corporation issued \$10.86 million of bonds in October 2002 and the construction funded by the bonds was completed in Fiscal Year 2002-03. The net assets of the Development Corporation were \$424,030 and \$750,764 at June 30, 2003 and 2002, respectively.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the Great Outdoors Colorado Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the state using funds it receives from the Colorado Lottery. During Fiscal Years 2003-04 and 2002-03, the board funded \$20.62 million and \$14.49 million, respectively, of wildlife and parks programs at the Department of Natural Resources. At June 30, 2003, GOCO owed the Department of Natural Resources \$6.12 million.

Component Units

The University of Colorado Hospital Authority provided charity care primarily to individuals meeting federal poverty guidelines valued at \$70.3 million and \$67.3 million for the years ended June 30, 2003 and 2002, respectively. Since, these amounts are not collectible they are not reported as net patient revenue. The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements (net of related payments) from the state of \$24.8 million and \$31.0 million for the years ended June 30, 2003, and 2002, respectively.

The Hospital Authority and the University of Colorado Health Sciences Center have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education and the U.S. Army approved the transfer of 186 acres of land and buildings at the Fitzsimons Army Medical Center to the University of Colorado in federal Fiscal Year 2002-03. The Army has conveyed 88 acres under quitclaim deeds in advance of the official transfer. The quitclaim deeds include conditions subsequent that if not met provide for

reverting the property to the United States. The authority entered a 30-year Ground Lease agreement with the University of Colorado Regents for 18.4 acres with a one-dollar annual fee. The agreement provides for renewals up to 99 years, and with certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

Under the Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1990, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the University of Colorado Health Sciences Center. Amounts of approximately \$29.0 million and \$26.8 million were paid for these services in Fiscal Years 2002-03 and 2001-02, respectively. Other contracts with the Regents for storage facilities, student health services, and research projects resulted in reimbursements of approximately \$4.6 million and \$5.2 million in Fiscal Years 2002-03 and 2001-02, respectively.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed for 2002 and 2003. As part of the agreements, the hospital purchased a minority interest in TriWest for approximately \$3.3 million. This investment is accounted for under the cost method.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately \$1.6 million and \$1.3 million were billed to CRC for the cost of these services during Fiscal Years 2002-03 and 2001-02, respectively. Amounts due from the Health Sciences Center, including CRC, amounted to \$1.0 million and \$2.0 million at June 30, 2003 and 2002, respectively.

The hospital created University Hospital Home Therapies (UHHT) in February 1996. Chartwell Rocky Mountain Region is a Colorado general partnership between UHHT and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain Region was formed to provide home infusion and respiratory services to alternate-site patients. The partnership began in April 1996. UHHT and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain Region.

During 1995, the hospital and four other entities formed Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO that serves Medicaid patients. In August 2001, the hospital entered into an agreement to loan Colorado Access \$625,000. The principal and interest, which is currently set at 4.75 percent, is due on or before August 24, 2004. In January 2003, the hospital entered an agreement to loan Colorado Access an additional \$512,500 with a variable interest rate currently set at 4.25 percent and a due date of January 31, 2006.

By agreement with the University of Colorado, the hospital coordinates fund-raising initiatives through the University of Colorado Foundation.

NOTE 37 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act sets upper limits on state liability at \$150,000 per individual and \$600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the state for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the state often files counterclaims. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

The state is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future

construction, medical, or residential services costs that are not subject to reasonable estimation.

The state is the defendant in lawsuits by employees accusing the state of various infractions of law or contract. These include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying of salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The state does not believe that any of these cases are material to its financial operations.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The state is contesting the disallowance related to such audits, and the outcome is uncertain at this time.

The Colorado Student Loan Program, in the event of adverse loss experience, could be liable for approximately 25 percent (\$705.2 million) of the outstanding balance (\$2,820.0 million) of loans in repayment status. However, the probability of a material loss is remote.

The State Veterans' Nursing Homes stopped offsetting Veterans' Administration patient per diem against Medicaid billings to the federal government in November 2001. The federal Department of Health and Human Services determined that the payments should have been offset, and that the practice resulted in duplicate billing of approximately \$5.9 million. The nursing homes may have to repay the federal government this amount if expected federal legislation is passed.

The U.S. Environmental Protection Agency's administrative enforcement removal action under CERCLA has been completed for the Colorado School of Mines Research Institute. However, the environmental cleanup is not completed, and it now proceeds under the direction of the Colorado Department of Public Health and Environment. It was recently determined that the contamination is more extensive than originally assessed, and the revised assessment has resulted in a dispute between the Colorado School of Mines and its environmental contractor. The cost of the cleanup cannot be currently estimated, but it may be recovered in part from other potentially responsible parties.

At June 30, 2004, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately \$620.8 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thus, require the state to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that individually could result in refunds up to \$1.0 million.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward the amount necessary to make the payment to the paying agent. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over \$5.96 billion are outstanding. Of this amount, \$4.93 billion is covered by private insurance.

The State of Kansas has sued the state in the U.S. Supreme Court for alleged violations of the Arkansas River Compact. The case was bifurcated into a liability and a remedy phase. The Supreme Court ruled in favor of Kansas in one of its three claims and a Special Master was appointed. The Special Master's original damagecalculation methodology resulted in damages of over \$40 million, which the State of Colorado challenged in the U.S. Supreme Court. The Supreme Court reduced the amount of prejudgment interest included in the calculation, and directed the Special Master to calculate the remainder of the damages. The Special Master set damages at \$29.2 million, and the state has reported a liability for that amount on the government-wide Statement of Net Assets. Kansas claims damages of \$54 million in its most recent exceptions to the Special Master's report, and it may also seek litigation cost reimbursement that is estimated at \$10.0 million.

A suit has been brought against the state alleging that the TABOR refund program (Article X, Section 20, of the State Constitution) violates interstate commerce, equal protection and privileges, and immunity clauses of the U.S. Constitution. The claims are primarily due to partyear residents being excluded from receiving refunds. Damages are indeterminable, but the state was required to refund \$3.25 billion in total since Fiscal Year 1996-97.

The state believes it has a good chance of prevailing in these cases, but the ultimate outcome cannot presently be determined. With the exception of \$29.2 million recorded for the Arkansas River Compact suit, no provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

Component Units

The Denver Metropolitan Major League Baseball Stadium District received Notices of Claim from 27 persons arising from an incident involving an escalator at Coors Field (the district's stadium) on July 2, 2003. The notices generally allege that the escalator failed by rapidly accelerating without warning, causing claimants to be hurled down the escalator resulting in injuries to the claimants. The amount of damages has not been established, but the district's lease with its tenant requires the lessee to indemnify the district in this matter. The escalator manufacturer has tentatively agreed to indemnify the tenant. Because the amount of damages is not determinable, the district has made no provision for any loss or expense related to this incident.

The Colorado School of Mines Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines formed for the purpose of purchasing, constructing, otherwise acquiring, extending or improving an educational facility for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the foundation may be called upon to repay principal, not to exceed \$10.86 million in the event of default of the Development Corporation.

CoverColorado, the Colorado Division of Insurance, and the Commissioner of Insurance are currently involved in litigation with a stop-loss insurance carrier. The claimant asserts that the CoverColorado assessments charged to insurance carriers are in violation of the TABOR provisions of the State Constitution because the assessment is a tax levied without a vote of the people. The carrier seeks a reduction or exemption from the assessment.

NOTE 38 – SUBSEQUENT EVENTS

A. NOTE ISSUANCE

Primary Government

On July 1, 2004, the State Treasurer issued \$650.0 million of General Fund Tax Revenue Anticipation Notes, Series 2004A. The notes are due and payable on June 27, 2005, at an average coupon rate of 2.99 percent. The total interest related to this issuance will be \$19.2 million. The notes are issued for cash management purposes.

On July 1, 2004, the State Treasurer issued \$225.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2004A. The notes carry an interest rate of 3.5 percent, which will result in \$8.5 million of interest due at maturity. The notes mature on August 9, 2005, but the State Treasury has established a Series 2004A Note Repayment Account that it will fund by June 28, 2005, in an amount adequate to fully defease the outstanding notes.

On August 31, 2004, the Department of Transportation issued \$19,985,000 of Certificates of Participation, Series 2004. The certificates were issued to fund acquisition, construction, and improvement of certain capital projects at the Department of Transportation. The certificates are calculated to yield interest of 4.95 percent, and they have a weighted average maturity of 22.5 years and a final maturity of June 15, 2034.

B. LAWSUIT

Primary Government

On August 12, 2004, plaintiffs filed suit in state court challenging the constitutionality of \$442.7 million of transfers from cash funds to the General Fund made in Fiscal Years 2001-02, 2002-03, 2003-04 to mitigate general-purpose revenue shortfalls. The suit seeks class action status and alleges that the transfers caused the increase or continuation of cash fund fees that it contends are tax increases not approved by voters. Plaintiffs seek to prevent similar future transfers, to terminate existing fees replenishing the cash funds, to prevent fee increases intended to replenish the cash funds, and to require the General Fund to replenish the cash funds.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	ORIGINAL	FINAL SPENDING		(OVER)/UNDER SPENDING
	APPROPRIATION	AUTHORITY	ACTUAL	AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			\$ 2,004,997	
Income Taxes			3,406,469	
Other Taxes			243,381	
Federal Grants and Contracts			1,591	
Sales and Services			690	
Interest Earnings			21,077	
Other Revenues			47,391	
Transfers-In			109,074	
TOTAL REVENUES AND TRANSFERS-IN			5,834,670	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Agriculture	\$ 4,153	\$ 4,113	3,944	\$ 169
Corrections	469,772	468,896	468,091	805
Education	2,417,664	2,417,671	2,417,510	161
Governor	13,165	13,387	13,290	97
Health Care Policy and Financing	1,177,675	1,163,556	1,165,499	(1,943)
Higher Education	591,428	591,728	591,635	93
Human Services	460,284	459,866	458,976	890
Judicial Branch	207,297	208,628	207,982	646
Law	6,721	6,890	6,443	447
	26,970	27,063	26,876	187
Legislative Branch Local Affairs	•	4,756	4,750	6
	4,779	•	,	
Military Affairs	3,839	3,897	3,756	141
Natural Resources	19,555	19,585	19,481	104
Personnel & Administration	7,888	7,990	7,679	311
Public Health and Environment	12,535	12,500	12,493	7
Public Safety	54,177	54,171	53,844	327
Regulatory Agencies	1,059	1,051	1,045	6
Revenue	172,097	171,052	165,171	5,881
Treasury	65,757	65,546	60,538	5,008
SUB-TOTAL OPERATING BUDGETS	5,716,815	5,702,346	5,689,003	13,343
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	126	126	-
Corrections	33	4,426	2,416	2,010
Governor	-	390	76	314
Health Care Policy and Financing	-	4,957	2,770	2,187
Higher Education	4,200	25,428	15,376	10,052
Human Services	-	4,737	3,203	1,534
Judicial Branch	-	47	47	-
Law	-	5	5	_
Military Affairs	-	27	6	21
Personnel & Administration	5,074	14,292	8,373	5,919
Public Health and Environment	-	1,758	746	1,012
Public Safety	_	1,669	1,267	402
Revenue		598	44	554
Transportation	_	8	8	-
Budgets/Transfers Not Booked by Department	17,899	17,899	17,899	_
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	27,206	76,367	52,362	24,005
		·	·	•
TOTAL EXPENDITURES AND TRANSFERS-OUT	\$5,744,021	\$5,778,713	5,741,365	\$ 37,348
EXCESS OF REVENUES AND TRANSFERS-IN OVER				
(UNDER) EXPENDITURES AND TRANSFERS-OUT			\$ 93,305	

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS BUDGET AND ACTUAL - CASH FUNDED FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			\$ 568,553	
Income Taxes			278,700	
Other Taxes			701,102	
Tuition and Fees			668,474	
Sales and Services			873,131 204,253	
Interest Earnings Other Revenues			2,206,702	
Transfers-In			4,096,952	
TOTAL REVENUES AND TRANSFERS-IN			9,597,867	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	\$ 24,538	\$ 24,550	21,777	\$ 2,773
Corrections	62,193	59,680	40,555	19,125
Education	2,705,107	2,707,982	2,704,537	3,445
Governor	32,307	39,315	20,299	19,016
Health Care Policy and Financing	270,342	225,927	209,327	16,600
Higher Education	1,755,133	1,727,411	1,445,233	282,178
Human Services	804,260	272,572	251,129	21,443
Judicial Branch	81,745	79,773	73,880	5,893
Labor and Employment	523,330	523,380	510,600	12,780
Law	27,717	28,851	25,912	2,939
Legislative Branch	2,745	2,607	1,871	736
Local Affairs	173,620	179,549	109,665	69,884
Military Affairs	1,864	1,772	1,198	574
Natural Resources	423,628	402,981	235,550	167,431
Personnel & Administration	416,334	416,387	348,089	68,298
Public Health and Environment	87,212	92,404	80,280	12,124
Public Safety	99,367	98,669	93,745	4,924
Regulatory Agencies	75,797	76,330	72,548	3,782
Revenue	622,965	619,443	559,530	59,913
State	15,711	15,140	12,834	2,306
Transportation	499,089	503,005	423,803	79,202
Treasury SUB-TOTAL OPERATING BUDGETS	993,046	993,193	941,177 8,183,539	52,016 907,382
	9,090,030	9,090,921	0,103,339	907,362
Capital and Multi-Year Budgets:				
Departmental: Corrections	524	1,164	107	1,057
Governor	J2 4	618	597	21
Health Care Policy and Financing		16	16	
Higher Education	68,439	317,010	44,827	272,183
Human Services	1,639	8,726	7,848	878
Labor and Employment	18,200	61,814	35,833	25,981
Law	10,200	17	17	23,301
Natural Resources	41,724	54,648	16,810	37,838
Personnel & Administration	9,917	12,853	6,657	6,196
Public Health and Environment	250	13,827	2,947	10,880
Public Safety	28	1,778	295	1,483
Regulatory Agencies	-	1,066	753	313
Revenue	2,227	8,640	654	7,986
Transportation	1,438,911	1,437,246	697,716	739,530
·				·
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	1,582,135	1,919,699	815,078	1,104,621
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$11,280,185	\$11,010,620	8,998,617	\$2,012,003
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER)				

EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER)
EXPENDITURES/EXPENSES AND TRANSFERS-OUT

\$ 599,250

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:			¢4.100.000	
Federal Grants and Contracts			\$4,188,998	
TOTAL REVENUES AND TRANSFERS-IN			4,188,998	
Capital and Multi-Year Budgets: Departmental:				
Agriculture	\$ 1,171	\$ 9,411	4,541	\$ 4,870
Corrections	5,123	15,839	6,751	9,088
Education	380,987	591,366	410,454	180,912
Governor	18,718	170,529	52,905	117,624
Health Care Policy and Financing	1,422,726	1,557,661	1,536,836	20,825
Higher Education	20,953	117,059	73,456	43,603
Human Services	500,013	983,891	834,266	149,625
Judicial Branch	1,839	5,388	2,841	2,547
Labor and Employment	86,917	307,031	229,071	77,960
Law	800	942	760	182
Local Affairs	48,751	119,132	49,310	69,822
Military Affairs	122,902	14,605	8,460	6,145
Natural Resources	22,959	57,559	30,531	27,028
Personnel & Administration	72	2,688	1,165	1,523
Public Health and Environment	159,703	317,632	219,619	98,013
Public Safety	43,112	179,145	53,562	125,583
Regulatory Agencies	1,090	6,846	6,333	513
Revenue	1,926	3,399	1,744	1,655
State	7,037	7,215	801	6,414
Transportation	312,111	810,345	494,444	315,901
Treasury		83,753	83,100	653
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,158,910	5,361,436	4,100,950	1,260,486
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	\$3,158,910	\$5,361,436	4,100,950	\$1,260,486

EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT

\$ 88,048



RECONCILING SCHEDULE ALL BUDGET FUND TYPES TO ALL GAAP FUND TYPES FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	GOVERNMENTAL FUND TYPES						
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	
BUDGETARY BASIS:							
Revenues and Transfers-In: General Cash	\$ 5,820,846 662,678	\$ - 2,323,016	\$ - 1,626,733	\$ 13,824 67,670	\$ - 292,604	\$ - 1,468,705	
Federal Sub-Total Revenues and Transfers-In	3,140,028 9,623,552	2,323,016	494,124 2,120,857	22,446 103,940	292,604	293,869 1,762,574	
Expenditures/Expenses and Transfers-Out General Funded Cash Funded Federally Funded	5,706,833 664,706 3,139,115	2,318,615	1,577,841 494,124	34,532 62,233 22,212	351,742 -	1,281,430 216,632	
Expenditures/Expenses and Transfers-Out	9,510,654	2,318,615	2,071,965	118,977	351,742	1,498,062	
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	112,898	4,401	48,892	(15,037)	(59,138)	264,512	
BUDGETARY BASIS ADJUSTMENTS: Increase/(Decrease) for Unrealized Gains/Losses Increase for Budgeted Non-GAAP Expenditures	(26,385)	-	(12,097) -	157 -	(12,121)	(37,600) 27,445	
Increase/(Decrease) for GAAP Expenditures Not Budgeted Increase/(Decrease) for GAAP Revenue Adjustments Increase/(Decrease) for Non-Budgeted Funds	165,101 (140,377) -	- - -	(6,787) 6,789 -	47,957 (47,956) -	- - -	(759) (105) 45	
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	111,237	4,401	36,797	(14,879)	(71,259)	253,538	
GAAP BASIS FUND BALANCES/NET ASSETS:							
FUND BALANCE/NET ASSETS, JULY 1 Prior Period Adjustments (See Note 28)	134,715 411	13,926 -	1,075,551 -	50,859 -	218,545	1,333,605 41,392	
FUND BALANCE/NET ASSETS, JUNE 30	\$ 246,363	\$ 18,327	\$ 1,112,348	\$ 35,980	\$ 147,286	\$ 1,628,535	

		PROPRIETARY	FUND TYPES				
HIGHER		STUDENT OBLIGATION		OTHER		FIDUCIARY	TOTAL
EDUCATION	UNEMPLOYMENT	BOND	STATE	ENTERPRISE	INTERNAL	FUND	PRIMARY
INSTITUTIONS	INSURANCE	AUTHORITY	LOTTERY	FUNDS	SERVICE	TYPES	GOVERNMENT
103111011003	INSURANCE	AUTHORITI	LOTTLKT	FUNDS	SLRVICL	111123	GOVERNMENT
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,834,670
1,310,603	347,539	37,780	408,186	182,831	88,992	780,530	9,597,867
	126,546	14,623	-	93,516	3,846	-	4,188,998
1,310,603	474,085	52,403	408,186	276,347	92,838	780,530	19,621,535
							E 741 26E
1 202 502	454.000	27 400	400 422	160.074	96.030	- 202 605	5,741,365
1,292,503	454,088 131,552	37,409	408,432	169,074 93,469	86,939 3,846	293,605	8,998,617 4,100,950
4 202 502		27.400	400.422	•			
1,292,503	585,640	37,409	408,432	262,543	90,785	293,605	18,840,932
18,100	(111,555)	14,994	(246)	13,804	2,053	486,925	780,603
•	` , ,	•	` ,	•	•	•	•
			4				
4,416	-	2,265	(861)	(3,101)	(76)	120,615	35,212
-	(= (00)	-	113	13,754	3,858	- (0)	45,170
162	(7,492)	-	(264)	(15,114)	(4,026)	(8)	178,770
(162) 189,404	-	-	-	252 (45)	-	106,155	(181,559) 295,559
109,404				(43)		100,133	293,339
211,920	(119,047)	17,259	(1,258)	9,550	1,809	713,687	1,153,755
211,920	(119,047)	17,239	(1,238)	9,330	1,009	/13,06/	1,155,755
2,800,609	322,423	111,783	2,974	266,915	19,709	2,666,150	9,017,764
2,000,009	322,423	111,703	2,3/4	438	16,116	2,000,130	58,357
+ 2042.533	+ 202 275	+ 420.042	+ 1716			+ 2.270.02	
\$ 3,012,529	\$ 203,376	\$ 129,042	\$ 1,716	\$ 276,903	\$ 37,634	\$ 3,379,837	\$ 10,229,876

GENERAL FUND

The General Fund is the principal operating fund of the state. It is used to account for all governmental financial resources and transactions not accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the Unreserved – Undesignated Fund Balance on the Balance Sheet by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A). The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the Statement of Revenues, Expenditures, and Changes in Fund Balances and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded in several ways as discussed below.

For the purpose of reporting in accordance with Generally Accepted Accounting Principles (GAAP), risk management activities are reported as part of the General Fund and represented on the *Balance Sheet – Governmental Funds* as "Reserved for Risk Management". For budgetary reporting purposes (including the following schedule), risk management activities are considered a cash fund (see Note RSI-1) and are not included in the General Fund.

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative excess general purpose and related augmenting revenues of the state. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific expenditures. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance.

Another purpose of this schedule is to identify the General Fund fund balance available for appropriation. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. The \$71.2 million difference between the departmental revised budgets and the total estimated budget is primarily the result of a decision to restrict rather than reduce the Department of Health Care Policy and Financing's budget. The Legislature restricted the departments' budget by \$68.7 million because federal participation in the Medicaid program temporarily increased from 50 percent to 52.95 percent. Unspent restricted appropriations are reported as reversions on the schedule.

The \$97.1 million deficit in Ending General Fund Surplus anticipated at the beginning of the fiscal year was the result of declining revenue estimates between December 2002 and June 2003. The original appropriation was based on the December 2002 revenue estimate.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2004

(DOLLARS IN THOUSANDS)	ORIGINAL	REVISED		REVERSIONS OF GENERAL	EXCESS AUGMENTING
	ESTIMATE/ BUDGET	ESTIMATE/ BUDGET	ACTUAL	FUND APPROPRIATION	REVENUE EARNED
REVENUES:	DODGET	DODGET	ACTOAL	AFFROFRIATION	LARGED
Sales and Use Tax	\$1,926,100	\$1,907,000	\$1,908,355		
Other Excise Taxes	95,300	96,200	96,642		
Individual Income Tax, net	3,108,672	3,178,700	3,188,766		
Corporate Income Tax, net	126,028	212,900	217,703		
Estate Tax	41,200	50,100	47,197		
Insurance Tax	168,400	172,400	175,903		
Parimutuel, Courts, and Other	52,200	85,900	72,180		
Investment Income	11,000	22,400	19,522		
Gaming	41,200	39,600	40,195		
TOTAL GENERAL PURPOSE REVENUES	5,570,100	5,765,200	5,766,463		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	4,153	4,112	3,944	\$ 168	\$ 101
Corrections	469,772	468,896	468,091	805	859
Education	2,417,663	2,417,667	2,417,507	160	51
Governor Delivers of Financian	13,165	13,380	13,283	97	18
Health Care Policy and Financing	1,103,176	1,229,954	1,163,608	66,346	-
Higher Education	591,428	591,409	591,396	13	90
Human Services	460,282	459,867	459,281	586	1,912
Judicial Branch	207,297	208,618	207,970	648	1,075
Law	6,721	6,771	6,348	423	54
Legislative Branch	26,970	27,063	26,892	171	65
Local Affairs	4,780	4,756	4,750	6	-
Military Affairs	3,839	3,897	3,756	141	5
Natural Resources Personnel & Administration	19,556	19,710	19,605	105	46
	7,733	7,831	7,680	151	1
Public Health and Environment	12,535	12,500	12,493	7	159
Public Safety	54,179	54,171 1,051	53,854 1,045	317	257
Regulatory Agencies Revenue	1,058 172,096	170,994	165,113	6 5,881	25
State	-		-		166
Treasury	5,758	4,359	4,350	9	-
Appropriation to the Capital Projects Fund	9,490	9,490	9,490	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	5,591,651	5,716,496	5,640,456	\$ 76,040	\$ 4,884
Variance Between Actual and Estimated Budgets	(7,651)	(71,184)	-		
TOTAL ESTIMATED BUDGET	5,584,000	5,645,312	5,640,456		
EXCESS GENERAL REVENUES OVER (UNDER)					
GENERAL FUNDED EXPENDITURES	(13,900)	119,888	126,007		
EXCESS AUGMENTING REVENUES	-	-	4,884		
TRANSFERS:					
Transfers-In from Various Cash Funds	44,800	55,300	54,384		
Transfers-Out to Various Cash Funds	(55,000)	(56,188)	(56,188)		
Excess Beginning Reserve Transferred		(= .==)	()		
to the Highway and Capital Projects Funds	-	(8,400)	(8,339)		
TOTAL TRANSFERS	(10,200)	(9,288)	(10,143)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			120,748		
BUDGET BASIS EXPENDITURES			•		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS	13,400	93,700	93,659		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted	13,400	93,700 -	93,659 (11)		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve	13,400 - -	93,700 - -	93,659		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent	· -	· -	93,659 (11) (69)		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	13,400 - - (86,400) \$ (97,100)	93,700 - - (92,300) \$ 112,000	93,659 (11)		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(86,400)	(92,300)	93,659 (11) (69) (92,376)		
BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement ENDING GENERAL FUND SURPLUS	(86,400)	(92,300)	93,659 (11) (69) (92,376)		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement ENDING GENERAL FUND SURPLUS RECONCILIATION TO GAAP UNRESERVED FUND BALANCE: GAAP Medicaid Expenditures Moved to Fiscal Year 2004-05 for Budget	(86,400)	(92,300)	93,659 (11) (69) (92,376) \$ 121,951 (168,866)		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement ENDING GENERAL FUND SURPLUS RECONCILIATION TO GAAP UNRESERVED FUND BALANCE: GAAP Medicaid Expenditures Moved to Fiscal Year 2004-05 for Budget GAAP Payroll Expenditures Moved to Fiscal Year 2004-05 for Budget	(86,400)	(92,300)	93,659 (11) (69) (92,376) \$ 121,951 (168,866) (60,580)		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement ENDING GENERAL FUND SURPLUS RECONCILIATION TO GAAP UNRESERVED FUND BALANCE: GAAP Medicaid Expenditures Moved to Fiscal Year 2004-05 for Budget GAAP Payroll Expenditures Moved to Fiscal Year 2004-05 for Budget GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures	(86,400)	(92,300)	93,659 (11) (69) (92,376) \$ 121,951 (168,866) (60,580) 90,399		
BUDGET BASIS EXPENDITURES BEGINNING GENERAL FUND SURPLUS GAAP Revenues/(Expenditures) Not Budgeted (Increase)/Decrease in Long-Term Asset Reserve Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement ENDING GENERAL FUND SURPLUS RECONCILIATION TO GAAP UNRESERVED FUND BALANCE: GAAP Medicaid Expenditures Moved to Fiscal Year 2004-05 for Budget GAAP Payroll Expenditures Moved to Fiscal Year 2004-05 for Budget	(86,400)	(92,300)	93,659 (11) (69) (92,376) \$ 121,951 (168,866) (60,580)		

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1. BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 82 to 84). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the state-appropriated amounts are excluded from these schedules.

The budgetary fund types used by the state differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of state government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriation made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the state into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Bill, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

General and cash funded appropriations, with the exception of capital projects, lapse at year end unless executive action is taken to rollforward all or part of the remaining unspent budget authority. General funded appropriations that meet the strict criteria for rollforward are reported in the *Balance Sheet — Governmental Funds* as "Reserved for Encumbrances". Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year end.

The appropriation controls the combined expenditures and encumbrances of the state, in the majority of the cases, to the level of line item within the state agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. The institutions of higher education are appropriated at the governing board level. Statutes allow the Judicial and Executive Branches, at year end, to transfer legislative appropriations within departments for expenditures of like purpose. The appropriation may be adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and any statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded, supplemental appropriations of the Legislature, statutorily authorized appropriations equal to the related expenditures, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general funded expenditures. If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8B.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the State Controller's Office.

D. BUDGET TO GAAP RECONCILIATION

The Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types (see page 86) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 82 to 84) relate to the change in fund balances/net assets for the funds presented in the fund level statements (see pages 8 to 25).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as, bad debt expense, and

depreciation are not budgeted by the General Assembly. In addition, payroll disbursements for employee time worked in June and Medicaid payments accrued but not paid by June 30 are excluded from the budget and from budget basis expenses/expenditures. These expenses/expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to accrued Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The state uses encumbrance accounting as an extension of formal budgetary integration in most funds except certain Fiduciary Funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year end unless specifically brought forward to the subsequent year, thus, committing the subsequent year's available appropriation.

NOTE RSI-2. INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense. The state capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to infrastructure owned and/or maintained by the Colorado Department of Transportation. Assets accounted for under the modified approach include approximately 22,600 lane miles of roads and 3,699 bridges for which the state has maintenance responsibilities.

To use the modified approach, the state is required to:

 Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.

- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

ROADWAY

Measurement Scale

The Colorado Department of Transportation (CDOT) uses Remaining Service Life (RSL) to determine the condition of roadway pavements. In use since 1998, the RSL is a representation, in years, of functional and structural performance of the roadway pavement. CDOT has defined RSL into three conditions as follows:

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial	No distress or some indication of initial
	distress, but no appreciable maintenance is	distress, but no appreciable maintenance is
	required. Distress items include low or a small	required. Distress items include low or a
	amount of moderate severity cracking such as	small amount of moderate severity
	transverse, longitudinal, or fatigue. Slight	cracking such as transverse or longitudinal
	rutting in the wheel paths.	or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring routine	Initial distresses are apparent requiring
	maintenance. Distress items include moderate	sealing. Distress items include moderate
	and some high severity cracking such as	and some high severity cracking such as
	transverse, longitudinal, or fatigue. Moderate	transverse or longitudinal or moderate
	rutting in the wheel paths.	corner breaks.
0 to 5 years = Poor	Excessive distresses requiring high main-	Excessive distresses requiring high main-
	tenance or major rehabilitation treatments.	tenance or slab replacement. Distress items
	Distress items include a large amount of	include a large amount of moderate to high
	moderate to high severity cracking such as	severity transverse or longitudinal cracking
	transverse, longitudinal, or fatigue. Moderate	or moderate to severe corner breaks.
	to severe rutting in the wheel paths.	

Established Condition Level

The expected condition level for roadway is that 54% of roadways will be in the good and fair categories.

Assessed Conditions

Condition levels are assessed on a fiscal year basis. The following table reports the percentage of pavements meeting the "Good/Fair" condition for the past six years.

Rating	2003	2002	2001	2000	1999	1998
Good/Fair	58%	58%	54%	54%	51%	58%
Poor	42%	42%	46%	46%	49%	42%

BRIDGES

Measurement Scale

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of the 3699 bridges under its jurisdiction.

The inventory rates bridges including the deck, superstructure, and substructure, using a 10-point scale as follows:

Rating	Description
9	Excellent
8	Very Good
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural
	components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in
	concrete may be present or scour may have removed substructure support. Unless closely monitored it may
	be necessary to close bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious
	vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action
	may put it back in light service.
0	Failure. Out of service – beyond corrective action.

Established Condition Level

No more than 25% of the bridges shall be rated as "structurally deficient". "Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements, that is, deck, superstructure, or substructure.

Assessed Conditions

The following table reports the percentage of bridges whose condition was assessed as "structurally deficient".

Year	Percent
2004	6.5%
2003	6.3%
2002	6.6%
2001	6.7%
2000	6.3%
1999	6.5%
1998	5.6%
1997	5.4%

Budgeted and Estimated Costs to Maintain

The Department of Transportation has not developed a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Until the department develops that system, it has chosen to use budgeted amounts as a surrogate for the cost to maintain.

(Amounts in Millions)

Fiscal Year	Estimated Spending	Actual Spending
2002-03	\$ 631.0	\$ 1,457.1
2001-02	968.5	1,051.8
2000-01	1,842.2	929.2
1999-00	688.6	774.3
1998-99	693.4	696.5
1997-98	533.0	552.4
1996-97	495.6	414.5
Total	\$ 5,852.3	\$ 5,875.8

The Department reported \$514.7 million of construction in progress in Fiscal Year 2003-04; this amount represents total construction in progress additions. The Department removed the historical cost of infrastructure being replaced in the amount of \$1.48 million.

Infrastructure maintenance projects by their nature span multiple years, and the related budgets do not lapse at year end. As a result, the Department of Transportation's spending in any fiscal year may be from amounts that were budgeted in the current and/or previous years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given year.

